

LIBERTY DRAW METROPOLITAN DISTRICT NO. 1

Financial Statements

Year Ended December 31, 2023

with

Independent Auditors' Report

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## Independent Auditors' Report

Board of Directors  
Liberty Draw Metropolitan District No. 1  
Weld County, Colorado

### **Opinions**

We have audited the accompanying financial statements of the governmental activities and each major fund, of the Liberty Draw Metropolitan District No. 1 (the "District") 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 accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2023, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("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 opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 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**

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

**Supplementary Information**

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

*Tatton and Company, LLC*

Cedaredge, CO  
September 28, 2024

**LIBERTY DRAW METROPOLITAN DISTRICT NO. 1**

BALANCE SHEET/STATEMENT OF NET POSITION  
GOVERNMENTAL FUNDS  
December 31, 2023

	<u>General</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
<b>ASSETS</b>					
Cash	\$ 101,133	\$ -	\$ 101,133	\$ -	\$ 101,133
Cash - restricted	3,383	-	3,383	-	3,383
Capital assets not being depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,476,076</u>	<u>3,476,076</u>
 Total Assets	 <u>\$ 104,516</u>	 <u>\$ -</u>	 <u>\$ 104,516</u>	 <u>3,476,076</u>	 <u>3,580,592</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 12,685	\$ -	\$ 12,685	\$ -	\$ 12,685
 Total Liabilities	 <u>12,685</u>	 <u>-</u>	 <u>12,685</u>	 <u>-</u>	 <u>12,685</u>
<b>FUND BALANCES/NET POSITION</b>					
Fund Balances:					
Restricted:					
Emergencies	3,383	-	3,383	(3,383)	-
Unassigned	<u>88,448</u>	<u>-</u>	<u>88,448</u>	<u>(88,448)</u>	<u>-</u>
 Total Fund Balances	 <u>91,831</u>	 <u>-</u>	 <u>91,831</u>	 <u>(91,831)</u>	 <u>-</u>
 Total Liabilities and Fund Balances	 <u>\$ 104,516</u>	 <u>\$ -</u>	 <u>\$ 104,516</u>		
 Net Position:					
Restricted for:					
Emergencies				3,383	3,383
Unrestricted				<u>3,564,524</u>	<u>3,564,524</u>
 Total Net Position				 <u>\$ 3,567,907</u>	 <u>\$ 3,567,907</u>

The notes to the financial statements are an integral part of these statements.

**LIBERTY DRAW METROPOLITAN DISTRICT NO. 1**

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES  
GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2023

	<u>General</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>EXPENDITURES</b>					
General expenses:					
Audit	\$ 280	\$ -	\$ 280	\$ -	\$ 280
Engineering	2,725	-	2,725	-	2,725
Insurance	6,477	-	6,477	-	6,477
Legal	7,049	-	7,049	-	7,049
Management & accounting	3,200	-	3,200	-	3,200
Miscellaneous expenses	28	-	28	-	28
Paying agent/trustee fees	1,190	-	1,190	-	1,190
Capital expenses:					
Capital outlay	-	3,476,076	3,476,076	(3,476,076)	-
Repay developer advances	-	3,476,076	3,476,076	(3,476,076)	-
	<u>20,949</u>	<u>6,952,152</u>	<u>6,973,101</u>	<u>(6,952,152)</u>	<u>20,949</u>
Total Expenditures					
<b>GENERAL REVENUES</b>					
Builder/Development fees	112,760	-	112,760	-	112,760
Interest income	20	-	20	-	20
	<u>112,780</u>	<u>-</u>	<u>112,780</u>	<u>-</u>	<u>112,780</u>
Total General Revenues					
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>					
	91,831	(6,952,152)	(6,860,321)	6,952,152	91,831
<b>OTHER FINANCING SOURCES (USES)</b>					
Developer advances	-	3,476,076	3,476,076	(3,476,076)	-
Transfer from District No. 6	-	3,476,076	3,476,076	-	3,476,076
	<u>-</u>	<u>6,952,152</u>	<u>6,952,152</u>	<u>(3,476,076)</u>	<u>3,476,076</u>
Total Other Financing Sources (Uses)					
<b>NET CHANGES IN FUND BALANCES</b>					
	91,831	-	91,831	(91,831)	
<b>CHANGE IN NET POSITION</b>					
				3,567,907	3,567,907
<b>FUND BALANCES/NET POSITION:</b>					
BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
END OF YEAR	<u>\$ 91,831</u>	<u>\$ -</u>	<u>\$ 91,831</u>	<u>\$ 3,476,076</u>	<u>\$ 3,567,907</u>

The notes to the financial statements are an integral part of these statements.

**LIBERTY DRAW METROPOLITAN DISTRICT NO. 1**

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

For the Year Ended December 31, 2023

	<u>Original and</u>		Variance
	<u>Final Budget</u>	<u>Actual</u>	Favorable (Unfavorable)
<b>REVENUES</b>			
Builder/Development fees	\$ -	\$ 112,760	\$ 112,760
Interest income	-	20	20
	<u>-</u>	<u>112,780</u>	<u>112,780</u>
<b>Total Revenues</b>	<b>-</b>	<b>112,780</b>	<b>112,780</b>
<b>EXPENDITURES</b>			
Audit	2,500	280	2,220
Election	5,000	-	5,000
Engineering	5,000	2,725	2,275
Insurance	2,500	6,477	(3,977)
Legal	15,000	7,049	7,951
Management & accounting	1,500	3,200	(1,700)
Miscellaneous expenses	2,000	28	1,972
Paying agent/trustee fees	-	1,190	(1,190)
Contingency	15,000	-	15,000
Emergency Reserve	1,500	-	1,500
	<u>50,000</u>	<u>20,949</u>	<u>29,051</u>
<b>Total Expenditures</b>	<b>50,000</b>	<b>20,949</b>	<b>29,051</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(50,000)</b>	<b>91,831</b>	<b>141,831</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Developer advances	50,000	-	(50,000)
	<u>50,000</u>	<u>-</u>	<u>(50,000)</u>
<b>Total Other Financing Sources (Uses)</b>	<b>50,000</b>	<b>-</b>	<b>(50,000)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>91,831</b>	<b>91,831</b>
<b>FUND BALANCE:</b>			
BEGINNING OF YEAR	-	-	-
END OF YEAR	<u>\$ -</u>	<u>\$ 91,831</u>	<u>\$ 91,831</u>

The notes to the financial statements are an integral part of these statements.

# LIBERTY DRAW METROPOLITAN DISTRICT NO. 1

## Notes to Financial Statements December 31, 2023

### Note 1: Summary of Significant Accounting Policies

The accounting policies of the Liberty Draw Metropolitan District No.1 ("the District"), located in Weld County, Colorado, (the "County"), conform to the accounting principles generally accepted in the United States of America ("GAAP") as applicable to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies consistently applied in the preparation of financial statements.

#### Definition of Reporting Entity

The District was organized on November 21, 2022, as a quasi-municipal organization established under the State of Colorado Special District Act. The District was organized concurrently with Liberty Draw Metropolitan District Nos. 2, 3, 4, 5, 6 and 7 (District Nos. 2, 3, 4, 5, 6 and 7), collectively referred to as the Districts. The Districts were formed to provide public improvements to be dedicated to the City of Evans, Colorado or other governmental entities or retained by the Districts for the use and benefit of the residents and visitors of the Districts. The District's primary revenues are property taxes. The District is governed by an elected Board of Directors.

As required by GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District follows GASB Statement No. 61, The Financial Reporting Entity: Omnibus, which amended GASB Statement No. 14, The Financial Reporting Entity and GASB Statement No. 39, Determining Whether Certain Organizations are Component Units, which provides guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB sets 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 pronouncements also require including a possible component unit if it would be misleading to exclude it.

The District is not financially accountable for any other organization. The District has no component units as defined by the GASB.

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

#### Basis of Presentation

The accompanying financial statements are presented per GASB Statement No. 34 - Special Purpose Governments.

# LIBERTY DRAW METROPOLITAN DISTRICT NO. 1

## Notes to Financial Statements December 31, 2023

The government-wide financial statements (i.e. the governmental funds balance sheet/statement of net position and the governmental funds statement of revenues, expenditures, and changes in fund balances/statement of activities) report information on all of the governmental activities of the District. The statement of net position reports all financial and capital resources of the District. The difference between the (a) assets and deferred outflows of resources and the (b) liabilities and deferred inflows of resources of the District is reported as net position. The statement of activities demonstrates the degree to which expenditures/expenses of the governmental funds are supported by general revenues. For the most part, the effect of interfund activity has been removed from these statements.

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

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

### Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are collected.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The material sources of revenue subject to accrual are property taxes and interest. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is paid.

The District reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources not accounted for and reported in another fund.

Capital Projects Fund - The Capital Projects Fund is used to account for all financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other assets.

# LIBERTY DRAW METROPOLITAN DISTRICT NO. 1

## Notes to Financial Statements December 31, 2023

### Budgetary Accounting

In accordance with the State Budget Law of Colorado, the District's Board of Directors holds public hearings in the fall of each year to approve the budget and appropriate the funds for the ensuing year. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated. The appropriation is at the total fund expenditures level and lapses at year end.

On November 7, 2023, the District amended its total appropriations in the Capital Projects Fund from \$0 to \$3,481,435 primarily due to the repayment of developer advances. On August 4, 2025, the District further amended its total appropriations in the Capital Projects Fund from \$3,481,435 to \$6,952,152 primarily due to transfers from District No. 6 from bond proceeds for the repayment of developer advances.

### Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position Fair Value of Financial Instruments

The District's financial instruments include cash and cash equivalents, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2023, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

### Deposits

The District's cash and cash equivalents are considered to be cash on hand and short-term investments with maturities of three months or less from the date of acquisition. Investments for the government are reported at fair value.

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 minimum number of bank accounts. 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.

### Estimates

The preparation of these financial statements in conformity with GAAP requires the District management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position 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 assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. As of December 31, 2023, the District has no items that qualify for reporting in this category.

# LIBERTY DRAW METROPOLITAN DISTRICT NO. 1

## Notes to Financial Statements December 31, 2023

In addition to liabilities, the statement of financial position 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 assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. As of December 31, 2023, the District has no items that qualify for reporting in this category.

### Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

### Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable using the straight-line method. Depreciation on property that will remain assets of the District is reported on the Statement of Activities as a current charge. Improvements that will be conveyed to other governmental entities are classified as construction in progress and are not depreciated. Land and certain landscaping improvements are not depreciated. No depreciation expense was recognized during 2023.

### Property Taxes

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

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows in the year they are levied and measurable since they are not normally available nor are they budgeted as a resource until the subsequent year. The deferred property taxes are recorded as revenue in the subsequent year when they are available or collected.

# LIBERTY DRAW METROPOLITAN DISTRICT NO. 1

## Notes to Financial Statements December 31, 2023

### Development Fees

The Districts adopted a Resolution of the Board of Directors of Liberty Draw Metropolitan Districts Bo., 1-7 Concerning the Imposition of the District Development Fee on July 10, 2023 (the "Development Fee Resolution"). The Development Fee Resolution establishes a Development Fee payable to District No. 1 by the owner of lot or parcel of land within the Property on or before transfer of any lot to a Third Party. The Development Fee Resolution established a development fee of \$1,000 for Single-Family Units and \$780 for Multi-Family Units, which are due upon the transfer of a lot to a Third Party.

### Operation and Maintenance Fees

The Districts adopted a Resolution of the Board of Directors of Liberty Draw Metropolitan Districts Bo., 1-7 Concerning the Imposition of District Service Fees Including Operations and Maintenance, Covenant Enforcement, and Architectural Review on July 10, 2023 (the "O&M Fee Resolution"). The O&M Fee Resolution establishes an annual fee, due on January 1, to provide sufficient revenue to cover the cost of providing operations, management, administration, accounting and covenant enforcement functions for the Districts. The O&M Fee Resolution established an annual fee of \$500 for 2023.

### Fund Equity

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications make the nature and extent of the constraints placed on a government's fund balance more transparent:

#### Nonspendable Fund Balance

Nonspendable fund balance includes amounts that cannot be spent because they are either not spendable in form (such as inventory or prepaids) or are legally or contractually required to be maintained intact.

#### Restricted Fund Balance

The restricted fund balance includes amounts restricted for a specific purpose by external parties such as grantors, bondholders, constitutional provisions or enabling legislation.

The restricted fund balance in the General Fund represents Emergency Reserves that have been provided as required by Article X, Section 20 of the Constitution of the State of Colorado. A total of \$3,383 of the General Fund balance has been restricted in compliance with this requirement.

#### Committed Fund Balance

The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by a 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.

LIBERTY DRAW METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements  
December 31, 2023

Assigned Fund Balance

Assigned fund balance includes amounts the District intends to use for a specific purpose. Intent can be expressed by the District's Board of Directors or by an official or body to which the Board of Directors delegates the authority.

Unassigned Fund Balance

Unassigned fund balance includes amounts that are available for any purpose. Positive amounts are reported only in the General Fund, all other funds can report negative amounts.

For the classification of Governmental Fund balances, the District considers an expenditure to be made from the most restrictive first when more than one classification is available.

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 of 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 are available, the District will use the most restrictive net position first.

Note 2: Cash

As of December 31, 2023, cash is classified in the accompanying financial statements as follows:

Statement of net position:	
Cash	\$ 101,133
Cash – restricted	<u>3,383</u>
	<u>\$ 104,516</u>

Cash as of December 31, 2023 consist of the following:

Deposits with financial institutions	<u>\$ 104,516</u>
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LIBERTY DRAW METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements  
December 31, 2023

Deposits

Custodial Credit Risk

The Colorado Public Deposit Protection Act, ("PDPA") requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. 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 is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. 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.

The District does not have a formal policy for deposits. None of the District's deposits were exposed to custodial credit risk.

The District did not have any investments as of December 31, 2023.

Note 3: Capital Assets

<u>Governmental Type Activities:</u>	<u>Balance</u> <u>12/31/23</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/23</u>
<u>Capital assets not being depreciated:</u>				
Construction in Progress	\$ -	\$ 3,476,076	\$ -	\$ 3,476,076
Total capital assets not being depreciated	-	3,476,076	-	3,476,076
Government type assets	<u>\$ -</u>	<u>\$ 3,476,076</u>	<u>\$ -</u>	<u>\$ 3,476,076</u>

Upon completion and acceptance, all fixed assets will be conveyed by the District to other local governments. The District will not be responsible for maintenance.

Note 4: Long Term Debt

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

<u>Other</u>	<u>Balance</u> <u>12/31/23</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/23</u>	<u>Current</u> <u>Portion</u>
Developer Advances - Capital	\$ -	\$ 3,476,076	\$ 3,476,076	\$ -	\$ -
Total	<u>\$ -</u>	<u>\$ 3,476,076</u>	<u>\$ 3,476,076</u>	<u>\$ -</u>	<u>\$ -</u>

# LIBERTY DRAW METROPOLITAN DISTRICT NO. 1

## Notes to Financial Statements December 31, 2023

A description of the long-term obligations as of December 31, 2023, is as follows:

### Funding and Reimbursement Agreement

On December 5, 2022, the Districts and Liberty Draw Farm Ground, LLC (the "Developer") entered into a Funding and Reimbursement Agreement (Operations and Maintenance Costs) (the "FRA"), which set forth the rights, obligations and procedures for the funding of Operations & Maintenance Costs ("O&M Costs") and for the District to reimburse the Developer for such costs. The Developer agrees to loan to the District one or more sums of money, not to exceed the aggregate of \$500,000 (the "Maximum Loan Amount"). The funds should be loaned to the District in one or a series of installments and shall be available to the District through December 31, 2023. Thereafter, the Developer may agree to renew its obligations under the FRA on an annual basis.

Simple interest shall accrue on O&M Costs at the rate of 2% plus the current Federal Reserve Board Prime Rate per annum until paid. Per the FRA, the Districts intend to reimburse the Developer for advances from any legally available revenues of the District, including fees, rates, tolls, charges and revenues resulting from the imposition of ad valorem taxes, net of any current operating and maintenance costs of the District. The provision for repayment of advances made under the FRA, shall constitute a multiple fiscal year obligation under the State of Colorado Constitution, is authorized pursuant to a vote of the eligible electors of the Districts and shall not be subject to annual appropriation. The Developer's obligation to advance funds to the District in accordance with the FRA shall terminate on December 31, 2023. The District's obligations terminate on December 5, 2062, at which time all obligations under the FRA shall be deemed satisfied and discharged whether or not paid in full. As of December 31, 2023, The District does not owe any amounts under the FRA.

### Advance and Reimbursement Agreement

On December 5, 2022, the Districts and Liberty Draw Land Developers, LLC (the "Liberty Draw Land") entered into an Advance and Reimbursement Agreement (Capital Costs) (the "ARA"), which set forth the rights, obligations and procedures for funding Capital Costs and for the District to reimburse the Developer for such costs. The Developer agrees to loan to the District one or more sums of money, not to exceed the aggregate of \$53,746,000 (the "Maximum Loan Amount"). The funds should be loaned to the District in one or a series of installments and shall be available to the District through December 31, 2023. Thereafter, the Developer may agree to renew its obligations under the ARA on an annual basis.

Simple interest shall accrue on Capital Costs at the rate of 2% plus the current Federal Reserve Board Prime Rate per annum until paid. Per the ARA, the Districts intend to reimburse the Developer for advances from any revenues determined by the District, including fees, rates, tolls, charges and revenues resulting from the imposition of ad valorem taxes, net of any current operating and maintenance costs of the District and any principal and interest and other costs related to the Senior Debt, provided, however, that any such repayment is subject to the terms and conditions of, and such repayment obligations shall be subordinate to, the Senior Debt & the provisions of any bond resolution, indenture or other document related there to. Any mill levy certified by the District for the purposes of repaying advances made under the ARA shall not exceed 50.000 mills for debt and shall be further subject to any restrictions provided in the

# LIBERTY DRAW METROPOLITAN DISTRICT NO. 1

## Notes to Financial Statements December 31, 2023

District's Service Plan, electoral authorization, the provisions of any bond resolution, indenture or other document related to the District's issuance of Senior Debt now or hereafter, or any applicable laws. The provision for repayment of advances made under the ARA, shall be at all times subject to annual appropriation by the District, in its absolute discretion. The District's repayment obligations are subject to annual appropriation and, as a result, will terminate on December 31 of each calendar year unless the District's Board of Directors resolves to continue its obligations under the ARA for the succeeding year (such action to be taken, if at all, in connection with the District's approval of its annual budget for the succeeding year). As of December 31, 2023, The District does not owe any amounts under the ARA.

### Improvement Acquisition Agreement

On December 5, 2022, the Districts and the Developer entered into an Improvement Acquisition Agreement (the "IAA"), which set forth the rights, obligations and procedures for the acquisition of certain public improvements from the Developer. The District will acquire from the Developer each completed Public Infrastructure Improvements authorized by the District's Service Plan upon satisfaction of the requirement and conditions of the IAA and adoption of a resolution by the District's Board of Directors accepting the Public Infrastructure as of the date stated in the resolution and pursuant to the conveyance documents attached thereto. The purchase price shall be the actual cost of construction. The aggregate purchase price is limited to the sum of the amounts (1) authorized in the Service Plan; (2) authorized by a vote of the eligible electors of the District; or (3) \$53,746,000. Simple interest shall accrue on Improvement Costs at the rate of 2% plus the current Federal Reserve Board Prime Rate per annum until paid.

### Debt Authorization

As of December 31, 2023, the Districts had \$107,492,000 of voted but unissued debt and \$48,206,000 of additional debt capacity under its current Service Plan limit. In the future, the District may issue a portion or all of the remaining authorized but unissued general obligation debt for purposes of providing public improvements to support development as it occurs within the District's service area. The District has not budgeted to issue any debt during 2024.

### Note 5: Agreements

#### Master Intergovernmental Agreement

The Districts entered into the Master Intergovernmental Agreement (the "Master IGA") on December 5, 2022. Pursuant to the Master IGA, the District will construct and finance, or coordinate the construction and financing of the public improvements benefiting the Districts and District Nos. 2 through 7 (the "Financing Districts") will pay all costs related to the construction, acquisition, installation, financing, operation and maintenance of such public improvement by or on behalf of the Operating District as set for in and in accordance with the Master IGA.

# LIBERTY DRAW METROPOLITAN DISTRICT NO. 1

## Notes to Financial Statements December 31, 2023

### Note 6: Related Party

All of the Board of Directors are employees, owners or are otherwise associated with the Developer and may have conflicts of interest in dealing with the District. Management believes that all potential conflicts, if any, have been disclosed to the Board.

### Note 7: Tax, Spending and Debt Limitations

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer 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.

On November 8, 2022, a majority of the District's electors authorized the District to collect and spend or retain in a reserve all currently levied taxes and fees of the District without regard to any limitations under Article X, Section 20 of the Colorado Constitution.

### Note 8: Risk Management

Except as provided in the Colorado Governmental Immunity Act, Section 24-10-101, et seq., C.R.S., the District may be exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors or omissions; injuries to agents; and natural disasters. The District has elected to participate in the Colorado Special Districts Property and Liability Pool (the “Pool”) which is an organization created by intergovernmental agreement to provide common liability and casualty insurance coverage to its members at a cost that is considered economically appropriate. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for auto, public officials liability, and property and general liability coverage. In the event aggregated losses incurred by the Pool exceed its amounts recoverable from reinsurance contracts and its accumulated reserves, the District may be called upon to make additional contributions to the Pool on the basis proportionate to other 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.

LIBERTY DRAW METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements  
December 31, 2023

Note 8: Reconciliation of Government-Wide Financial Statements and Fund Financial Statements

The Governmental Funds Balance Sheet/Statement of Net Position includes an adjustments column. The adjustments have the following elements:

- 1) Capital improvements used in government activities are not financial resources and, therefore are not reported in the funds; and
- 2) long-term liabilities such as developer advances and accrued developer advance interest payable are not due and payable in the current period and, therefore, are not in the funds.

The Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities includes an adjustments column. The adjustments have the following elements:

- 1) Governmental funds report capital outlays as expenditures, however, in the statement of activities, the costs of those assets are held as construction in progress pending transfer to other governmental entities or depreciated over their useful lives;
- 2) governmental funds report developer advances as revenue; and
- 3) governmental funds report long-term debt payments as expenditures, however, in the statement of activities, the payment of long-term debt is recorded as a decrease of long-term liabilities.

SUPPLEMENTARY INFORMATION

**LIBERTY DRAW METROPOLITAN DISTRICT NO. 1**

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL-  
CAPITAL PROJECTS FUND

For the Year Ended December 31, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES				
Interest income	\$ -	\$ -	\$ -	\$ -
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES				
Capital outlay	-	3,476,076	3,476,076	-
Repay developer advances	-	3,476,076	3,476,076	-
Total Expenditures	<u>-</u>	<u>6,952,152</u>	<u>6,952,152</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	(6,952,152)	(6,952,152)	-
OTHER FINANCING SOURCES (USES)				
Developer advances	-	3,476,076	3,476,076	-
Transfer from District No. 6	-	3,476,076	3,476,076	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>6,952,152</u>	<u>6,952,152</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	-	-	-	-
FUND BALANCE:				
BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>