

**EAST CREEK
METROPOLITAN DISTRICT NO. 1
Arapahoe County, Colorado**

**FINANCIAL STATEMENTS
DECEMBER 31, 2023**

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SCHILLING & COMPANY, INC.

Certified Public Accountants

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Independent Auditor's Report

Board of Directors
East Creek Metropolitan District No. 1
Arapahoe County, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of East Creek Metropolitan District No. 1 (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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of East Creek Metropolitan District No. 1, 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 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.

Responsibility 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 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 Responsibility 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 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 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 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 Supplemental Information

Management has omitted the management's discussion and analysis that governmental 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.

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 supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The 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.

Other Information

Management is responsible for the other information included in the annual report. The other information as listed in the table of contents does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

SCHILLING & COMPANY, INC.

Highlands Ranch, Colorado
October 28, 2024

BASIC FINANCIAL STATEMENTS

EAST CREEK METROPOLITAN DISTRICT NO. 1
STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
December 31, 2023

ASSETS

Cash and investments - restricted	\$ 104,018
Cash with County Treasurer	1,361
Accounts receivable	48,887
Due from East Creek Metropolitan District No. 2	719
Property taxes receivable	387,105
Prepaid expense	4,006
Capital assets, not being depreciated	1,080,201
Capital assets, being depreciated	969,169
Total assets	<u>2,595,466</u>

DEFERRED OUTFLOWS OF RESOURCES

Loss on bond refunding, net	183,916
Total deferred outflows of resources	<u>183,916</u>

LIABILITIES

Accounts payable	27,397
Accrued interest payable	19,497
Bonds, loans and advances payable	
Due within one year	20,000
Due in more than one year	5,047,512
Total liabilities	<u>5,114,406</u>

DEFERRED INFLOWS OF RESOURCES

Property tax revenue	387,105
Total deferred inflows of resources	<u>387,105</u>

NET POSITION

Net Investment in capital assets	559,115
Restricted for emergencies	5,800
Restricted for debt service	371,822
Unrestricted	(3,658,866)
Total net position	<u>\$ (2,722,129)</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

EAST CREEK METROPOLITAN DISTRICT NO. 1
STATEMENT OF ACTIVITIES
GOVERNMENTAL ACTIVITIES
Year Ended December 31, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
General government	\$ 442,064	\$ 125,117	\$ 47,441	\$ -	\$ (269,506)
Interest and fiscal charges	485,833	-	-	-	(485,833)
	<u>\$ 927,897</u>	<u>\$ 125,117</u>	<u>\$ 47,441</u>	<u>\$ -</u>	<u>(755,339)</u>
General revenues:					
Taxes:					
Property taxes					315,410
Specific ownership taxes					20,665
ARI taxes					5,761
Net investment income					8,948
Miscellaneous income					3,105
Total general revenues					<u>353,889</u>
Change in net position					(401,450)
Net position - beginning					<u>(2,320,679)</u>
Net position - ending					<u>\$ (2,722,129)</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

EAST CREEK METROPOLITAN DISTRICT NO. 1
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2023

	General	Debt Service	Total Governmental Funds
ASSETS			
Cash and investments - restricted	\$ -	\$ 104,018	\$ 104,018
Cash with County Treasurer	246	1,115	1,361
Accounts receivable	48,887	-	48,887
Due from East Creek Metropolitan District No. 2	719	-	719
Property tax receivable	216,564	170,541	387,105
Prepaid expenditures	4,006	-	4,006
Due from other funds	-	286,186	286,186
TOTAL ASSETS	\$ 270,422	\$ 561,860	\$ 832,282
LIABILITIES			
Accounts payable	\$ 27,397	\$ -	\$ 27,397
Due to other funds	286,186	-	286,186
Total liabilities	313,583	-	313,583
DEFERRED INFLOWS OF RESOURCES			
Deferred property tax revenue	216,564	170,541	387,105
Total deferred inflows of resources	216,564	170,541	387,105
FUND BALANCES			
Nonspendable - prepaid items	4,006	-	4,006
Spendable:			
Restricted for:			
Emergencies	5,800	-	5,800
Debt service	-	391,319	391,319
Unassigned	(269,531)	-	(269,531)
Total fund balances	(259,725)	391,319	131,594
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 270,422	\$ 561,860	

Amounts reported for governmental activities in the Statement of Net Position are different because:

Some long-term assets used in governmental activities are not financial resources and, therefore, are not reported in the Balance Sheet - Governmental Funds.	
Capital assets, net	2,049,370
Some items are reported as expenditures in the governmental funds, but are instead deferred and amortized in the governmental activities financial statements.	
Loss on refunding, net of accumulated amortization	183,916
Some liabilities, including bonds payable, developer advances and other accrued payables, are not due and payable in the current period and, therefore, are not reported in the Balance Sheet - Governmental Funds.	
Refunding Loan, Series 2023	(4,530,000)
Developer advances	(429,336)
Accrued interest payable - 2023 Refunding Loan	(19,497)
Accrued interest payable - developer advances	(108,176)
	(5,087,009)
Net position of governmental activities	\$ (2,722,129)

These financial statements should be read only in connection with
the accompanying notes to financial statements.

EAST CREEK METROPOLITAN DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES (DEFICITS) - GOVERNMENTAL FUNDS
Year Ended December 31, 2023

	General	Debt Service	Total Governmental Funds
REVENUES			
Property tax	\$ 52,565	\$ 262,845	\$ 315,410
Specific ownership tax	3,444	17,221	20,665
Net investment income	6	8,942	8,948
Operations fee	124,517	-	124,517
Working capital fee	600	-	600
ARI taxes	5,761	-	5,761
IGA revenue - East Creek Metro District No. 2	57	47,384	47,441
Miscellaneous	3,105	-	3,105
Total revenues	<u>190,055</u>	<u>336,392</u>	<u>526,447</u>
EXPENDITURES			
Current			
Management fees	19,905	-	19,905
Billing and collections	8,041	-	8,041
Accounting	17,826	-	17,826
Audit	5,000	-	5,000
Legal	21,836	-	21,836
Insurance	3,945	-	3,945
Election expense	1,424	-	1,424
Miscellaneous	11,001	-	11,001
County Treasurer's fees	870	3,942	4,812
Covenant control / Community management	28,047	-	28,047
Covenant control - legal	10,524	-	10,524
Landscape maintenance	64,021	-	64,021
Snow removal	46,564	-	46,564
Trash and recycling	29,152	-	29,152
Utilities	35,952	-	35,952
ARI payment to City of Aurora	5,680	-	5,680
Debt service			
Loan principal	-	70,000	70,000
Loan interest	-	161,266	161,266
Paying agent fees and other fees	-	855	855
Loan commitment fee	-	23,000	23,000
Bond issuance costs	-	178,000	178,000
Total expenditures	<u>309,788</u>	<u>437,063</u>	<u>746,851</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(119,733)</u>	<u>(100,671)</u>	<u>(220,404)</u>
OTHER FINANCING SOURCES (USES)			
Bond proceeds	-	4,600,000	4,600,000
Payment to Escrow Agent	-	(4,746,035)	(4,746,035)
Total other financing sources (uses)	<u>-</u>	<u>(146,035)</u>	<u>(146,035)</u>
NET CHANGE IN FUND BALANCES	(119,733)	(246,706)	(366,439)
FUND BALANCES (DEFICITS) - BEGINNING OF YEAR	(139,992)	638,025	498,033
FUND BALANCES (DEFICITS) - END OF YEAR	<u>\$ (259,725)</u>	<u>\$ 391,319</u>	<u>\$ 131,594</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**EAST CREEK METROPOLITAN DISTRICT NO. 1
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS) OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2023**

A reconciliation reflecting the differences between the governmental funds net change in fund balances and change in net position reported for governmental activities in the Statement of Activities as follows:

Net change in fund balances - Total governmental funds	<u>\$ (366,439)</u>
Governmental funds report capital outlays as expenditures. In the statement of activities capital outlay is not reported as an expenditure. Instead the cost of the asset is allocated over its estimated useful life, and recorded as depreciation expense in each of those years.	
Depreciation expense	<u>(128,334)</u>
	<u>(128,334)</u>
The repayment of the principal of long-term debt consumes current financial resources of governmental funds. However, it has no effect on net position.	
Refunding Loan, Series 2023 - Principal	<u>70,000</u>
The issuance of long-term debt provides for current financial resources of governmental funds. However, it has no effect on net position.	
Loan proceeds	(4,600,000)
Payment to refunding escrow	4,746,035
Current year interest expense included in payment to escrow agent	<u>(74,256)</u>
	<u>71,779</u>
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Change in accrued interest payable - bonds/loan	(3,021)
Change in accrued interest payable - developer advances	(34,347)
Amortization of loss on bond refunding	<u>(11,088)</u>
	<u>(48,456)</u>
Change in net position - Governmental activities	<u>\$ (401,450)</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

EAST CREEK METROPOLITAN DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE (DEFICIT) - BUDGET AND ACTUAL
GENERAL FUND
Year Ended December 31, 2023

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget -
REVENUES				
Property tax	\$ 52,560	\$ 52,565	\$ 52,565	\$ -
Specific ownership taxes	3,154	3,444	3,444	-
Net investment income	-	6	6	-
Operations fee	112,560	124,517	124,517	-
Working capital fee	-	600	600	-
ARI taxes	5,406	5,761	5,761	-
IGA revenue - East Creek Metro District No. 2	-	57	57	-
Miscellaneous	-	3,105	3,105	-
Total Revenues	<u>173,680</u>	<u>190,055</u>	<u>190,055</u>	<u>-</u>
EXPENDITURES				
Management fees	13,000	13,000	19,905	(6,905)
Billing and collections	6,000	6,000	8,041	(2,041)
Accounting	15,100	15,100	17,826	(2,726)
Audit	5,500	5,500	5,000	500
Legal	12,000	12,000	21,836	(9,836)
Insurance	4,800	4,800	3,945	855
Election expense	5,000	5,000	1,424	3,576
Miscellaneous	2,000	2,000	11,001	(9,001)
County Treasurer's fees	788	788	870	(82)
Covenant control/ Community management	16,500	16,500	28,047	(11,547)
Covenant control - legal	2,500	2,500	10,524	(8,024)
Drainage	2,000	2,000	-	2,000
Landscape maintenance	27,600	27,600	64,021	(36,421)
Snow removal	30,000	30,000	46,564	(16,564)
Fencing	1,500	1,500	-	1,500
Park	5,000	5,000	-	5,000
Monuments	1,000	1,000	-	1,000
Mailboxes	750	750	-	750
Trash and recycling	28,900	28,900	29,152	(252)
Utilities	7,500	7,500	35,952	(28,452)
ARI payment to City of Aurora	5,406	5,406	5,680	(274)
Contingency	8,000	120,579	-	120,579
Emergency reserves	1,577	1,577	-	1,577
Total Expenditures	<u>202,421</u>	<u>315,000</u>	<u>309,788</u>	<u>5,212</u>
NET CHANGE IN FUND BALANCE	(28,741)	(124,945)	(119,733)	5,212
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	<u>30,175</u>	<u>(139,992)</u>	<u>(139,992)</u>	<u>-</u>
FUND BALANCE (DEFICIT) - END OF YEAR	<u><u>\$ 1,434</u></u>	<u><u>\$ (264,937)</u></u>	<u><u>\$ (259,725)</u></u>	<u><u>\$ 5,212</u></u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

EAST CREEK METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1 – DEFINITION OF REPORTING ENTITY

East Creek Metropolitan District No. 1 (District), a quasi-municipal corporation, is governed pursuant to the provisions of the Colorado Special District Act. The District's service area is located in Arapahoe County, Colorado. The District was established to provide financing for the acquisition, construction, installation and/or operation of street improvements, water, sanitation, safety protection, park and recreation and transportation services.

The District entered into a Memorandum of Understanding (the MOU) with East Creek Metropolitan District No. 2 (District No. 2) with an effective date of June 18, 2018. Under the MOU, the District is to provide for the financing, construction, design, operation and maintenance of public improvements, as well as overall administration of the Districts. District No. 2 is to reimburse the District for all costs incurred by the District pursuant to the MOU on an allocable basis. See Note 12 – Subsequent Event for discussion of the consolidation of the District and District No. 2.

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

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Government-wide and Fund Financial Statements

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

The statement of net position reports all financial and capital resources of the District, the difference between the District's assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, being reported as net position.

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)

EAST CREEK METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

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 related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Depreciation is computed and recorded as an operating expense. Expenditures for capital assets are shown as increases in assets and redemption of bonds and notes are recorded as a reduction in liabilities.

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

The District reports the following major governmental funds:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgets

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

EAST CREEK METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

The District amended its annual budget in the General Fund and Debt Service Fund for the year ended December 31, 2023.

Pooled Cash and Investments

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

Capital Assets

Capital assets, which include infrastructure improvements, 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. 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.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Depreciation expense has been computed using the straight-line method over the following estimated economic useful lives:

Retaining Wall	15 years
Shelters	12 years
Monuments	10 years
Irrigation	10 years
Playground equipment	12 years
Trails/walks	5-10 years

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 30 or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

EAST CREEK METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

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

Deferred Inflows/Outflows 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 position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District only has one item that qualifies for reporting in this category. It is the deferred loss on refunding reported in the government-wide statement of net position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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 position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. Deferred inflows of resources reported in the governmental funds for unavailable revenues are property taxes levied for the ensuing year.

Debt Issue Costs and Original Issue Discount/Premium

In the government-wide financial statements, debt premiums and discounts are deferred and amortized over the life of the debt using the effective interest method, with the unamortized amount included as a component of the debt. Debt issuance costs are treated as a period cost and expensed in the year incurred.

In the fund financial statements, governmental fund types recognize debt premiums and discounts, as well as issuance costs, during the current period. 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 Balances – Governmental Funds

The District's governmental fund balances may consist of five classifications based on the relative strength of the spending constraints:

Nonspendable fund balance—the amount of fund balance that is not in spendable form (such as inventory or prepaids) or is legally or contractually required to be maintained intact.

Restricted fund balance—the amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

EAST CREEK METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

Committed fund balance—amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., Board of Directors). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.

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

Unassigned fund balance—amounts that are available for any purpose.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the District Board of Directors has provided otherwise in its commitment or assignment actions.

Operations and Transfer Fees

The District has imposed an Operations Fee in the amount of \$720 per year on each residential lot within the District and an additional \$120 per year on each Townhome Unit within the District. The Operations Fee is billed in quarterly amounts and is to be used for operations and maintenance costs.

The District has imposed a Transfer Fee to offset administrative costs associated with a transfer of ownership of any unit located within the District. The Transfer Fee is \$300 per lot and is due and payable at the time of any sale, transfer or re-sale of any single-family dwelling which has a certificate of occupancy.

NOTE 3 - CASH AND INVESTMENTS

Cash and investments as of December 31, 2023 are classified in the accompanying financial statements as follows:

Cash and investments - restricted	\$ 104,018
	<u>\$ 104,018</u>

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

Deposits with financial institutions	\$ 103,254
Investments	764
	<u>\$ 104,018</u>

**EAST CREEK METROPOLITAN DISTRICT NO. 1
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Cash Deposits

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

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

At December 31, 2023, the District's cash deposits had a bank balance and a carrying balance of \$103,254.

Investments

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

The District follows Colorado State Statutes which specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

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

At December 31, 2023, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Carrying Value</u>
Fidelity Money Market Government Portfolio – Class III	Weighted average of 34 days	\$ <u>764</u>

Fidelity Investments Money Market Government Portfolio

The debt service money that is included in the trust accounts at Zion Bancorporation, N/A is invested in the Fidelity Investments Money Market Government Portfolio III. This portfolio is a

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money market fund that is managed by Fidelity Investments and each share is equal in value to \$1.00. The fund is AAAM rated and invests exclusively in U.S. Government securities and/or repurchase agreements collateralized by cash or U.S. Government securities. The average maturity of the underlying securities is 34 days. The fund records its investment based on amortized costs. The District records its investment in the fund using the net asset value method. There are no unfunded commitments, the redemption frequency is daily, and there is no redemption notice period.

Investment Valuation

Certain investments are measured at fair value on a recurring basis are categorized within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District's investments are not required to be categorized within the fair value hierarchy. These investments are valued by using the net asset value (NAV) per share, or its equivalent of the investment. These investments include 2a7-like external investment pools and money market investments.

Restricted Cash and Investments

At December 31, 2023, cash and investments in the amount of \$104,078 are restricted for debt service in accordance with the indenture of trust related to the Series 2023 General Obligation Refunding Loan (See Note 5).

EAST CREEK METROPOLITAN DISTRICT NO. 1
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NOTE 4 – CAPITAL ASSETS

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

<u>Governmental Activities</u>	<u>Balance at January 1, 2023</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at December 31, 2023</u>
Capital assets, not being depreciated:				
Land and land improvements	\$ 1,080,201	\$ -	\$ -	\$ 1,080,201
Total capital assets, not being depreciated	<u>1,080,201</u>	<u>-</u>	<u>-</u>	<u>1,080,201</u>
Capital assets, being depreciated:				
Retaining wall	185,726	-	-	185,726
Shelters	38,070	-	-	38,070
Monuments	48,700	-	-	48,700
Irrigation Systems	286,674	-	-	286,674
Playground Equipment	93,916	-	-	93,916
Trails/sidewalks/paths	701,085	-	-	701,085
Total capital assets, being depreciated	<u>1,354,171</u>	<u>-</u>	<u>-</u>	<u>1,354,171</u>
Less accumulated depreciation fof:				
Retaining wall	(24,764)	(12,382)	-	(37,146)
Shelters	(6,346)	(3,173)	-	(9,519)
Monuments	(9,740)	(4,870)	-	(14,610)
Irrigation Systems	(57,334)	(28,667)	-	(86,001)
Playground Equipment	(15,652)	(7,826)	-	(23,478)
Trails/sidewalks/paths	(142,832)	(71,416)	-	(214,248)
Total accumulated depreciation	<u>(256,668)</u>	<u>(128,334)</u>	<u>-</u>	<u>(385,002)</u>
Total capital assets, being depreciated, net	<u>1,097,503</u>	<u>(128,334)</u>	<u>-</u>	<u>969,169</u>
Governmental activities capital assets, net	<u>\$ 2,177,704</u>	<u>\$ (128,334)</u>	<u>\$ -</u>	<u>\$ 2,049,370</u>

Depreciation is charged to the general government function.

EAST CREEK METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 5 – LONG-TERM OBLIGATIONS

The following is an analysis of the changes in the District's long-term obligations for the year ended December 31, 2023:

	Balance at December 31, 2022	Additions	Retirements	Balance at December 31, 2023	Due Within One Year
<u>General Obligation Bonds:</u>					
2019A	\$ 3,766,000	\$ -	\$ (3,766,000)	\$ -	\$ -
2019B	534,000	-	(534,000)	-	-
Accrued interest on 2019B bonds	176,775	2,212	(178,987)	-	-
<u>Direct Borrowing:</u>					
2023 Refunding Loan	-	4,600,000	(70,000)	4,530,000	20,000
<u>Direct Placements:</u>					
Developer Advances-Capital	377,063	-	-	377,063	-
Accrued interest on Developer advances-Capital	57,974	30,165	-	88,139	-
Developer Advances-Ops	52,273	-	-	52,273	-
Accrued interest on Developer advances-Ops	15,855	4,182	-	20,037	-
	<u>\$ 4,979,940</u>	<u>\$ 4,636,559</u>	<u>\$ (4,548,987)</u>	<u>\$ 5,067,512</u>	<u>\$ 20,000</u>

The detail of the District's long-term debt is as follows:

General Obligation Limited Tax Bonds, Series 2019A and 2019B

Series 2019A

On April 16, 2019, the District issued \$4,010,000 General Obligation (Limited Tax Convertible to Unlimited Tax) Bonds, Series 2019A, (2019A Bonds), with interest of 5.250%. Proceeds of the 2019A Bonds were used for issuance costs and to reimburse the Developer for capital construction costs. The 2019A Bonds mature on December 1, 2048 with mandatory sinking fund payments each year beginning December 1, 2022 in varying amounts. Interest is due each June 1 and December 1, commencing June 1, 2019. The 2019A Bonds are subject to optional redemption, as a whole or in integral multiples of \$1,000 on any date, upon payment of par and accrued interest plus a redemption premium in varying rates beginning on June 1, 2024.

The 2019A Bonds are payable from pledged revenue, which includes the District's covenant to levy the required mill levy on all taxable property within the District to pay for debt scheduled payments, specific ownership taxes, capital fees, pledged fees from District No. 2 (see Capital Pledge Agreement below) and any other revenues designated as such and pledged to the payment of the 2019A Bonds by a resolution adopted by the Board. Prior to the Conversion Date (first date on which both the debt to assessed ratio is 50% or less; and no amounts of principal or interest on the 2019A Bonds are due but unpaid), the District is required to impose a mill levy sufficient to pay principal and interest on the 2019A Bonds as they come due, and if necessary, an amount sufficient to replenish the Reserve Fund to the amount of the Required

EAST CREEK METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
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Reserve, but (1) not in excess of 50.000 mills, and (2) for so long as the Surplus Fund is less than the Maximum Surplus Amount, not less than 50.000 mills; provided, however, that in the event the method of calculating assessed valuation is or was changed after January 1, 2004, any change in law, change in method of calculation, the minimum and maximum mill levies shall be increased or decreased to reflect such changes. On and after the Conversion Date, the District is to impose a mill levy in an amount sufficient to pay the principal and interest on the 2019A Bonds as they come due.

In the event there are any moneys remaining in the Restricted Account of the Project Fund of the 2019A and 2019B Bonds on March 31, 2022, in amounts sufficient to redeem any bonds, such moneys shall be credited to the Excess Proceeds Redemption Fund and applied to the mandatory redemption of all or any portion of the 2019A and 2019B Bonds. On March 31, 2022, unspent bond proceeds of \$229,004.34 in the 2019A Project Fund and \$65,393.27 in the 2019B Project Fund, were transferred to the 2019A and 2019B Excess Proceeds Redemption Fund Accounts in accordance with the Indenture of Trust and subsequently paid down principal and interest on the 2019A and 2019B Bonds.

Pursuant to the Indenture of Trust, the District is required to establish a Reserve Fund for the 2019A Bonds with bond proceeds in the amount of \$320,112. At December 31, 2023, the balance was \$0, as the bonds were advance refunded and defeased during 2023.

Pledged revenue not required for the payment of the 2019A Bonds or the Reserve Fund shall be credited to the Surplus Fund up to a maximum amount of \$401,000. At December 31, 2023, the balance was \$0, as the bonds were refunded on April 13, 2023. See Bond Refunding below.

Series 2019B

On April 16, 2019 the District issued \$584,000 Subordinate General Obligation Limited Tax Bonds, Series 2019B (2019B Bonds), with interest of 8.00%. Proceeds of the 2019B Bonds were used for issuance costs and to reimburse the Developer for capital construction costs. The 2019B Bonds mature on December 15, 2048. Interest is payable on December 15 of each year, commencing on December 15, 2019. Unpaid interest shall compound annually on December 15 of each year.

The 2019B Bonds are only payable in any particular year to the extent that there are amounts available in the Subordinate Pledged Revenue Fund. The Subordinate Pledged Revenue Fund is to be funded from the Subordinate Required Mill Levy, specific ownership taxes, capital fees, pledged fees from District No. 2 (see Capital Pledge Agreement below) and any other revenues designated as such and pledged to the payment of the bonds by a resolution adopted by the Board. The Subordinate Required Mill Levy is 50.000 mills less the 2019A Bond mill levy. The 2019B Bonds will terminate on December 16, 2058, whereby any unpaid principal and interest will be deemed paid. These bonds were refunded on April 13, 2023. See Bond Refunding below.

Refunding Loan, Series 2023

On April 13, 2023, Zions Bancorporation, N.A. d/b/a Vectra Bank Colorado issued a loan to the District (2023 Loan) in the amount of \$4,600,000. The 2023 Loan bears interest at 5.44% per

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NOTES TO FINANCIAL STATEMENTS
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annum until the Tax-Exempt Reissuance Date; and 4.70% per annum on and after the Tax-Exempt Reissuance Date (and subject to the Interest Rate Reset Date). The 2023 Loan is a term loan with annual installments of principal due on December 1 of each year beginning on December 1, 2023. Interest will be paid semiannually on June 1 and December 1 of each year, commencing December 1, 2023. The Loan matures on December 1, 2052.

The 2023 Loan is payable from pledged revenue, which includes the District's covenant to levy the required mill levy on all taxable property within the District to pay for debt scheduled payments, specific ownership taxes, capital fees, pledged fees from District No. 2 (see Capital Pledge Agreement below) and any other revenues designated as such and pledged to the payment of the 2023 Loan by a resolution adopted by the Board. Prior to the Conversion Date (first date on which both the debt to assessed ratio is 50% or less; and no amounts of principal or interest on the 2023 Loan is due but unpaid), the District is required to impose a mill levy sufficient to pay principal and interest on the 2023 Loan as they come due, but not in excess of 50.000 mills, provided, however, that in the event the method of calculating assessed valuation is or was changed after January 1, 2004, any change in law, change in method of calculation, the minimum and maximum mill levies shall be increased or decreased to reflect such changes. On and after the Conversion Date, the District is to impose a mill levy in an amount sufficient to pay the principal and interest on the loan as they come due, but not in excess of 99.000 mills.

Bond Refunding

On April 13, 2023, the District advance refunded and defeased (debt legally satisfied) \$3,766,000 of General Obligation Bonds, Series 2019A and \$534,000 of General Obligation Bonds, Series 2019B with interest of 5.250% and 8.00%, respectively. The defeased bonds are not considered a liability of the District since sufficient funds (\$4,567,048) were deposited with a trustee and invested in U.S. government securities for the purpose of paying the principal and interest of the defeased bonds when due.

The District increased its aggregate debt service payments by \$519,262 over the next 25 years and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$1,758. The District incurred a cost on refunding in the amount of \$195,004, which has been deferred and is being amortized over the life of the new debt.

Capital Pledge Agreement

The District entered into the Capital Pledge Agreement with District No. 2. The Agreement outlines District No. 2's covenant to cause to be levied on all of the taxable property within District No. 2, commencing in December 2019, the amount of the Mandatory Capital levy of 30.000 mills less the number of mills necessary to pay any unlimited mill levy debt provided, however, that in the event the method of calculating assessed valuation is or was changed after January 1, 2004, any change in law, change in method of calculation, the maximum mill levy shall be increased or decreased to reflect such changes. The Capital Pledge Agreement will terminate on December 16, 2058 regardless of the amount of principal and interest paid prior to that date.

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Facilities Funding and Acquisition Agreement

The District and Meritage Homes of Colorado, Inc. (Developer) entered into a Facilities Funding and Acquisition Agreement (FFA Agreement) on June 25, 2018, effective June 18, 2018.

Organization Costs

According to the terms of the FFA Agreement, the District shall reimburse the Developer for organization expenses incurred. Simple interest accrues on the organization expenses at a rate of 8% from the District's organization date.

Construction Costs

The parties to the FFA Agreement acknowledge that the District will incur construction related expenses in connection with the construction of certain public improvements in reliance upon the Developer's commitment to provide funding. In addition, the Developer has or will design, construct and complete certain improvements for District acquisition upon completion. To the extent that the public improvements are not designed, constructed and completed by the Developer for the District's acquisition upon completion, the Developer shall advance funds to the District necessary to fund the construction related expenses up to \$9,737,479. Simple interest accrues from the date the costs are incurred by the Developer at a rate of 8%. The District anticipates payment of the developer advances and/or verified costs to be from the proceeds of debt incurred by the District. Any obligation of the District to reimburse the Developer shall expire on December 31, 2058.

As of December 31, 2023, the District owed the Developer \$377,063 in principal and \$88,139 in interest under the FFA Agreement.

2018 Operation Funding Agreement

The District and the Developer entered into an Operation Funding Agreement on June 25, 2018 with an effective date of June 18, 2018 (2018 OFA). The 2018 OFA provides for the Developer to advance funds for ongoing operating expenses incurred by the District through December 31, 2018 in an amount not to exceed \$50,000. The District agrees to repay any advances received from any funds available after the payment of its annual debt service obligations and annual operations and maintenance expenses, which repayment is subject to annual budget and appropriation. Interest shall accrue at 8% per annum. Any obligation of the District to reimburse the Developer shall expire on December 31, 2058.

On October 22, 2018, the District approved the First Amendment to Operation Funding Agreement (the First Amendment) with an effective date of January 1, 2019. The First Amendment extended the term of developer advances through December 31, 2019 in an amount of \$100,000 and remains in effect until December 31, 2019.

As of December 31, 2023, the District owed the Developer \$52,273 in principal and \$20,037 in interest under the 2018 OFA.

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The District's 2023 Refunding Loan will mature as follows:

Year Ending December 31,	Principal	Interest	Total
2024	\$ 20,000	\$ 225,211	\$ 245,211
2025	50,000	214,914	264,914
2026	55,000	212,531	267,531
2027	60,000	209,910	269,910
2028	70,000	207,619	277,619
2029-2033	425,000	981,699	1,406,699
2034-2038	610,000	863,942	1,473,942
2039-2043	855,000	690,904	1,545,904
2044-2049	1,450,000	498,707	1,948,707
2050-2052	935,000	86,957	1,021,957
	<u>\$ 4,530,000</u>	<u>\$ 4,192,394</u>	<u>\$ 8,722,394</u>

NOTE 6 – DEBT AUTHORIZATION

At December 31, 2023, the District had the following authorized by unissued indebtedness:

	Authorized May 3, 2018 Election	Authorization Used *	Remaining at December 31, 2023
Streets	\$ 9,737,479	\$ 1,322,709	\$ 8,414,770
Parks and recreation	9,737,479	-	9,737,479
Water	9,737,479	991,100	8,746,379
Sanitation	9,737,479	2,280,191	7,457,288
Public transportation	9,737,479	-	9,737,479
Mosquito control	9,737,479	-	9,737,479
Safety Protection	9,737,479	-	9,737,479
Fire Protection	9,737,479	-	9,737,479
TV relay	9,737,479	-	9,737,479
Security services	9,737,479	-	9,737,479
Operations	9,737,479	-	9,737,479
Refunding	9,737,479	4,600,000	5,137,479
IGA Debt	9,737,479	-	9,737,479
	<u>\$ 126,587,227</u>	<u>\$ 9,194,000</u>	<u>\$ 117,393,227</u>

* Authorization used is based on the estimated use of proceeds

The District's service plan limits the total debt issued to \$9,737,479. In the future, the District may issue a portion or all of the remaining authorized but unissued debt.

NOTE 7 – AGREEMENTS

Intergovernmental Agreement with Aurora

The District and the City of Aurora (City) are parties to an intergovernmental agreement (City IGA) dated March 5, 2018, pursuant to the requirements of the Service Plan. Under the City IGA, the District covenants to dedicate certain public improvements to the City or other

EAST CREEK METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

appropriate jurisdiction, and covenants that all improvements will be constructed in compliance with the City's standards and specifications. The City IGA states that the District is not authorized to operate and maintain improvements, other than park and recreation improvements and landscape, access and drainage are improvements within certain tracts, unless otherwise agreed to by the City. The District is required to impose a mill levy for Aurora regional improvements (the ARI Mill Levy). The ARI Mill Levy is defined in the Service Plan as: (i) for the first 20 years (beginning in the first year of collection of a debt service mill levy by the District), one mill; (ii) for the next 20 years, five mills; and (iii) for the next 10 years, a mill levy equal to the average debt service mill levy imposed by the District in the 10 years prior to the date of repayment of the debt it issued to construct nonregional improvements. The District levied 1.300 mills for collection in 2024.

NOTE 8 – FUND EQUITY

At December 31, 2023, the District reported the following classifications of fund equity.

Nonspendable Fund Balance

The nonspendable fund balance in the General Fund in the amount of \$4,006 is comprised of prepaid amounts which are not in spendable form.

Restricted Fund Balance

The restricted fund balance in the General Fund in the amount of \$5,800 is comprised of the Emergency Reserves that have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado (see Note 11). The restricted fund balance in the Debt Service Fund in the amount of \$391,319 is to be used exclusively for debt service requirements (see Note 4).

Deficit Fund Balance

The District reported an unassigned fund balance deficit of \$269,531 in the General Fund. The District anticipates that taxes and operations fees will eliminate the deficit fund balance in future years.

NOTE 9 - NET POSITION

The District's net position consists of three components – net investment in capital assets, restricted and unrestricted.

Net investment in capital assets, consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

The restricted portion of net position includes amounts that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District's restricted net position at December 31, 2023 is as follows:

EAST CREEK METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
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Restricted net position:

Emergency reserves (see Note 11)	\$ 5,800
Debt Service	<u>371,822</u>
	<u><u>\$ 377,622</u></u>

The District's unrestricted net position at December 31, 2023 totaled \$(3,658,866). This deficit amount was a result of the District being responsible for repayment of bonds issued for public improvements conveyed to other governmental entities.

NOTE 10 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees or acts of God. The District is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2023. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

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

NOTE 11 - TAX, SPENDING AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue and debt limitations that 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.

On May 8, 2018, the District's electors authorized the District to increase taxes \$100,000 annually or by a lesser annual amount as may be necessary to pay the District's operations and maintenance and other expenses without limitation of rate. Further the District's electors authorized the District to collect, keep and expend all District revenues received in 2018 and each year thereafter, of the District without regard to any limitations under Article X, Section 20 of the Colorado Constitution.

EAST CREEK METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
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The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits will require judicial interpretation.

NOTE 12 – SUBSEQUENT EVENT

On November 7, 2023, the District's electors authorized the consolidation of the District and East Creek Metropolitan District No. 2 ("District No. 2") as the East Creek Consolidated Metropolitan District ("Consolidated District") in accordance with Section 32-1-601, C.R.S, et. seq., and the Consolidation Agreement dated September 18, 2023 between the District and District No. 2. The Order and Decree for Consolidation (the "Consolidation Order") was entered by the Arapahoe County District Court on March 7, 2024 and recorded on March 25, 2024 (the "Consolidation Date").

The terms for consolidation are set forth in the Consolidation Agreement and the Consolidation Order, including the following:

- The powers and boundaries of the Consolidated District are the same as the District and District No. 2 prior to the consolidation.
- The service plans for the District and District No. 2 shall be read together to constitute the service plan of the Consolidated District.
- For the general fund mill levy, the District's debt service mill levy, and payments owed by District No. 2 under the Capital Pledge Agreement, the prior boundaries of the District and District No. 2 shall be preserved as separate taxing areas (Taxing Area 1 and Taxing Area 2, respectively). The Consolidated District will have different general fund mill levies for Taxing Area 1 and Taxing Area 2 based on the ratio of difference in general fund expenses attributed to the District and District No. 2 in effect as of the Consolidation Date. The 2023 Loan (see Note 5) shall continue to be paid in the same manner as prior to the consolidation.
- The Consolidated District has the power to impose fees, rates, tolls, penalties and charges for services, programs, or facilities furnished by the Consolidated District on the properties receiving the service, program, or facilities. No services, programs or facilities are currently provided to the area previously within District No. 2.
- All intergovernmental agreements between the District and District No. 2, other than the Capital Pledge Agreement, are terminated and no longer of any force or effect as of the Consolidation Date.
- As of the Consolidation Date, the Consolidated District is the owner of and entitled to receive, hold, sue for, and collect all moneys, funds, taxes, levies, assessments, fees, and charges and all property and assets of any kind or nature owned, leased, or claimed by or due to the District and District No. 2. Therefore, all of the District's and District No. 2's rights and assets including, but not limited to, existing operational reserves, emergency reserves, cash assets, capital reserves, real property, water rights, personal property and appurtenances are the property of the Consolidated District.

As of the Consolidation Date, the District and District No. 2 no longer exist as corporate entities. However, any matters that arise that require winding up actions or efforts on the part of either the District or District No. 2 may be performed by the Consolidated District.

This information is an integral part of the accompanying financial statements.

SUPPLEMENTAL INFORMATION

EAST CREEK METROPOLITAN DISTRICT NO. 1
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
DEBT SERVICE FUND
Year Ended December 31, 2023

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget -
REVENUES				
Property taxes	\$ 262,819	\$ 262,819	\$ 262,845	\$ 26
Specific ownership taxes	14,770	15,769	17,221	1,452
Net investment income	2,500	2,500	8,942	6,442
Intergovernmental revenue - District No. 2	47,170	47,170	47,384	214
Total Revenues	<u>327,259</u>	<u>328,258</u>	<u>336,392</u>	<u>8,134</u>
EXPENDITURES				
Bond principal	40,000	-	-	-
Bond interest	209,738	-	-	-
Loan principal	-	70,000	70,000	-
Loan interest	-	167,865	161,266	6,599
Paying agent and other fees	7,500	7,500	855	6,645
County treasurer's fees	3,942	3,942	3,942	-
Loan commitment fee	-	-	23,000	(23,000)
Loan issuance costs	-	256,433	178,000	78,433
Total Expenditures	<u>261,180</u>	<u>505,740</u>	<u>437,063</u>	<u>68,677</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>66,079</u>	<u>(177,482)</u>	<u>(100,671)</u>	<u>76,811</u>
OTHER FINANCING SOURCES (USES)				
Bond proceeds	-	4,650,000	4,600,000	(50,000)
Payment to Escrow Agent	-	(4,740,710)	(4,746,035)	(5,325)
Total other financing sources (uses)	<u>-</u>	<u>(90,710)</u>	<u>(146,035)</u>	<u>(55,325)</u>
NET CHANGE IN FUND BALANCE	66,079	(268,192)	(246,706)	21,486
FUND BALANCE - BEGINNING OF YEAR	656,393	638,025	638,025	-
FUND BALANCE - END OF YEAR	<u>\$ 722,472</u>	<u>\$ 369,833</u>	<u>\$ 391,319</u>	<u>\$ 21,486</u>

OTHER INFORMATION

**EAST CREEK METROPOLITAN DISTRICT NO. 1
SUMMARY OF ASSESSED VALUATION , MILL LEVY
AND PROPERTY TAXES COLLECTED
Year Ended December 31, 2023**

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied				Property Taxes		Percentage Collected to Levied
		General	Debt	ARI	Total	Levied	Collected	
2019	\$ 480,625	65.277	0.000	0.000	65.277	\$ 31,374	\$ 31,374	100.0%
2020	\$ 1,534,415	11.132	55.664	1.113	67.909	\$ 104,201	\$ 102,493	98.4%
2021	\$ 3,008,028	11.132	55.664	1.113	67.909	\$ 204,272	\$ 200,924	98.4%
2022	\$ 4,933,411	11.132	55.664	1.113	67.909	\$ 335,023	\$ 329,308	98.3%
2023	\$ 4,721,534	11.132	55.664	1.145	67.941	\$ 320,785	\$ 315,410	98.3%
Estimated for year ending December 31, 2024	\$ 5,684,703	36.796	30.000	1.300	68.096	\$ 387,105		

NOTE: Property taxes collected in any one year may include collection of delinquent property taxes levied in prior years. Information received from the County Treasurer does not permit identification of specific year of levy.

EAST CREEK METROPOLITAN DISTRICT NO. 1
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2023

\$4,600,000 General Obligation Refunding
Loan, Series 2023
Dated April 13, 2023
Interest Rate of 5.440%
Principal Due December 1

Year Ending December 31,	Interest Due June 1 and December 1		
	Principal	Interest	Total
2024	\$ 20,000	\$ 225,211	\$ 245,211
2025	50,000	214,914	264,914
2026	55,000	212,531	267,531
2027	60,000	209,910	269,910
2028	70,000	207,619	277,619
2029	70,000	203,716	273,716
2030	80,000	200,380	280,380
2031	85,000	196,568	281,568
2032	95,000	193,045	288,045
2033	95,000	187,990	282,990
2034	105,000	183,463	288,463
2035	110,000	178,460	288,460
2036	125,000	173,692	298,692
2037	130,000	167,261	297,261
2038	140,000	161,066	301,066
2039	150,000	154,395	304,395
2040	160,000	147,651	307,651
2041	170,000	139,623	309,623
2042	180,000	131,522	311,522
2043	195,000	117,713	312,713
2044	210,000	109,114	319,114
2045	220,000	99,234	319,234
2046	235,000	89,197	324,197
2047	245,000	78,475	323,475
2048	265,000	67,481	332,481
2049	275,000	55,206	330,206
2050	295,000	42,659	337,659
2051	310,000	29,200	339,200
2052	330,000	15,098	345,098
	<u>\$ 4,530,000</u>	<u>\$ 4,192,394</u>	<u>\$ 8,722,394</u>