

**MEADOWBROOK HEIGHTS
METROPOLITAN DISTRICT
Jefferson County, Colorado**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2021

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Board of Directors
Meadowbrook Heights Metropolitan District
Jefferson County, Colorado

Independent Auditor's Report

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Meadowbrook Heights Metropolitan District (the "District"), as of and for the year ended December 31, 2021, 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 Meadowbrook Heights Metropolitan District as of December 31, 2021, 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 (GAAP), 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.

Other Matters

Required Supplemental 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 basic financial statements. The supplementary information as listed in the table of contents is presented for the purposes of legal compliance and 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 basic financial statements. The 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Wipfli LLP

Wipfli LLP
Lakewood, Colorado

July 29, 2022

BASIC FINANCIAL STATEMENTS

**MEADOWBROOK HEIGHTS METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2021**

| | Governmental Activities |
|---------------------------------------|----------------------------|
| ASSETS | |
| Cash and Investments | \$ 38,532 |
| Cash and Investments - Restricted | 4,007 |
| Receivable - County Treasurer | 218 |
| Property Taxes Receivable | 19,151 |
| Prepaid Insurance | 2,860 |
| Capital Assets, Not Being Depreciated | 5,120,946 |
| Total Assets | 5,185,714 |
| LIABILITIES | |
| Accounts Payable | 13,125 |
| Accrued Bond Interest Payable | 111,953 |
| Noncurrent Liabilities: | |
| Due in More Than One Year | 5,538,631 |
| Total Liabilities | 5,663,709 |
| DEFERRED INFLOWS OF RESOURCES | |
| Property Tax Revenue | 19,151 |
| Total Deferred Inflows of Resources | 19,151 |
| NET POSITION | |
| Restricted for: | |
| Emergency Reserves | 1,500 |
| Unrestricted | (501,153) |
| Total Net Position | \$ (497,146) |

See accompanying Notes to Basic Financial Statements.

**MEADOWBROOK HEIGHTS METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021**

| | | Program Revenues | | | Net Revenues (Expenses) and Change in Net Position |
|---|----------------------------|--|--|----------------------------|---|
| Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | |
| FUNCTIONS/PROGRAMS | | | | | |
| Primary Government: | | | | | |
| Governmental Activities: | | | | | |
| General Government | \$ 45,719 | \$ - | \$ - | \$ (45,719) | |
| Interest and Related Costs on Long-Term Debt | 450,230 | - | - | (450,230) | |
| Total Governmental Activities | \$ 495,949 | \$ - | \$ - | (495,949) | |
| GENERAL REVENUES | | | | | |
| Property Taxes | | | | 45,706 | |
| Specific Ownership Taxes | | | | 3,501 | |
| Net Investment Income | | | | 9 | |
| Total General Revenues | | | | 49,216 | |
| CHANGE IN NET POSITION | | | | (446,733) | |
| Net Position - Beginning of Year | | | | (50,413) | |
| NET POSITION - END OF YEAR | | | | \$ (497,146) | |

See accompanying Notes to Basic Financial Statements.

**MEADOWBROOK HEIGHTS METROPOLITAN DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2021**

| ASSETS | General | Debt Service | Capital Projects | Total Governmental Funds |
|--|-----------|-----------------|---------------------|--------------------------------|
| Cash and Investments | \$ 38,532 | \$ - | \$ - | \$ 38,532 |
| Cash and Investments - Restricted | 1,500 | - | 2,507 | 4,007 |
| Receivable - County Treasurer | 218 | - | - | 218 |
| Property Taxes Receivable | 5,062 | 14,089 | - | 19,151 |
| Prepaid Insurance | 2,860 | - | - | 2,860 |
| Total Assets | \$ 48,172 | \$ 14,089 | \$ 2,507 | \$ 64,768 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | | | | |
| LIABILITIES | | | | |
| Accounts Payable | \$ 13,125 | \$ - | \$ - | \$ 13,125 |
| Total Liabilities | 13,125 | - | - | 13,125 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Deferred Property Tax Revenue | 5,062 | 14,089 | - | 19,151 |
| Total Deferred Inflows of Resources | 5,062 | 14,089 | - | 19,151 |
| FUND BALANCES | | | | |
| Nonspendable: | | | | |
| Prepaid Expense | 2,860 | - | - | 2,860 |
| Restricted for: | | | | |
| Emergency Reserves | 1,500 | - | - | 1,500 |
| Assigned to: | | | | |
| Subsequent Year's Expenditures | 7,915 | - | - | 7,915 |
| Capital Projects | - | - | 2,507 | 2,507 |
| Unassigned | 17,710 | - | - | 17,710 |
| Total Fund Balances | 29,985 | - | 2,507 | 32,492 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | \$ 48,172 | \$ 14,089 | \$ 2,507 | |
| Amounts reported for governmental activities in the statement of net position are different because: | | | | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | | | | |
| Capital Assets, Net | | | | 5,120,946 |
| Long-term liabilities, including Developer Advances Payable and Bonds Payable are not due and payable in the current period and, therefore, are not reported in the funds. | | | | |
| Bonds Payable | | | | (4,921,000) |
| Accrued Interest Payable - Bonds | | | | (111,953) |
| Developer Advance Payable | | | | (595,211) |
| Accrued Interest Payable - Developer Advances | | | | (22,420) |
| Net Position of Governmental Activities | | | | \$ (497,146) |

See accompanying Notes to Basic Financial Statements.

**MEADOWBROOK HEIGHTS METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2021**

| | General | Capital Projects | Total Governmental Funds |
|---|------------------|---------------------|--------------------------------|
| REVENUES | | | |
| Property Taxes | \$ 45,706 | \$ - | \$ 45,706 |
| Specific Ownership Taxes | 3,501 | - | 3,501 |
| Net Investment Income | 2 | 7 | 9 |
| Total Revenues | <u>49,209</u> | <u>7</u> | <u>49,216</u> |
| EXPENDITURES | | | |
| Current: | | | |
| Accounting | 12,092 | - | 12,092 |
| County Treasurer's Fee | 686 | - | 686 |
| District Management | 8,786 | - | 8,786 |
| Dues and Licenses | 213 | - | 213 |
| Insurance and Bonds | 1,981 | - | 1,981 |
| Legal Services | 7,403 | - | 7,403 |
| Miscellaneous | 113 | - | 113 |
| Utilities | 1,717 | - | 1,717 |
| Capital: | | | |
| Bond Issue Costs | - | 316,914 | 316,914 |
| Engineering | - | 12,728 | 12,728 |
| Capital Outlay | - | 5,120,946 | 5,120,946 |
| Total Expenditures | <u>32,991</u> | <u>5,450,588</u> | <u>5,483,579</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 16,218 | (5,450,581) | (5,434,363) |
| OTHER FINANCING SOURCES (USES) | | | |
| Bond Proceeds | - | 4,921,000 | 4,921,000 |
| Developer Advance | 38,409 | 5,120,946 | 5,159,355 |
| Repay Developer Advance | - | (4,601,586) | (4,601,586) |
| Transfers from Other Funds | - | 12,728 | 12,728 |
| Transfers to Other Funds | (12,728) | - | (12,728) |
| Total Other Financing Sources (Uses) | <u>25,681</u> | <u>5,453,088</u> | <u>5,478,769</u> |
| NET CHANGE IN FUND BALANCES | 41,899 | 2,507 | 44,406 |
| Fund Balances - Beginning of Year | <u>(11,914)</u> | <u>-</u> | <u>(11,914)</u> |
| FUND BALANCES - END OF YEAR | <u>\$ 29,985</u> | <u>\$ 2,507</u> | <u>\$ 32,492</u> |

See accompanying Notes to Basic Financial Statements.

**MEADOWBROOK HEIGHTS METROPOLITAN DISTRICT
RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021**

Net Change in Fund Balances - Governmental Funds \$ 44,406

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

Governmental funds report capital outlays as expenditures. In the statement of activities, capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense, the allocation of the cost of any depreciable asset over the estimated useful life of the asset. Therefore, this is the amount of capital outlay, net of depreciation, in the current period.

Capital Outlay 5,120,946

The issuance of long-term debt (e.g., issuance of bonds, the receipt of Developer advances) provides current financial resources to governmental funds, while the repayment of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these difference in the treatment of long-term debt and related items as follows:

| | |
|--|-------------|
| Bond Issuance | (4,921,000) |
| Current Year Developer Advance Repayment | 4,601,586 |
| Developer Advances | (5,159,355) |

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.

| | |
|--|-----------------|
| Accrued Interest on Bonds - Change in Liability | (111,953) |
| Accrued Interest on Developer Advances - Change in Liability | <u>(21,363)</u> |

Change in Net Position of Governmental Activities \$ (446,733)

**MEADOWBROOK HEIGHTS METROPOLITAN DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2021**

| | Original and Final Budget | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|---------------------------------|-------------------|---|
| REVENUES | | | |
| Property Taxes | \$ 45,173 | \$ 45,706 | \$ 533 |
| Specific Ownership Taxes | 3,162 | 3,501 | 339 |
| Net Investment Income | - | 2 | 2 |
| Total Revenues | <u>48,335</u> | <u>49,209</u> | <u>874</u> |
| EXPENDITURES | | | |
| Accounting | 27,500 | 12,092 | 15,408 |
| County Treasurer's Fee | 678 | 686 | (8) |
| District Management | - | 8,786 | (8,786) |
| Dues and Licenses | 1,500 | 213 | 1,287 |
| Insurance and Bonds | 2,500 | 1,981 | 519 |
| Legal Services | 25,000 | 7,403 | 17,597 |
| Miscellaneous | 12,822 | 113 | 12,709 |
| Utilities | - | 1,717 | (1,717) |
| Total Expenditures | <u>70,000</u> | <u>32,991</u> | <u>37,009</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (21,665) | 16,218 | 37,883 |
| OTHER FINANCING SOURCES (USES) | | | |
| Developer Advance | 23,165 | 38,409 | 15,244 |
| Transfers to Other Funds | - | (12,728) | (12,728) |
| Total Other Financing Sources (Uses) | <u>23,165</u> | <u>25,681</u> | <u>2,516</u> |
| NET CHANGE IN FUND BALANCE | 1,500 | 41,899 | 40,399 |
| Fund Balance - Beginning of Year | - | (11,914) | (11,914) |
| FUND BALANCE - END OF YEAR | <u>\$ 1,500</u> | <u>\$ 29,985</u> | <u>\$ 28,485</u> |

See accompanying Notes to Basic Financial Statements.

**MEADOWBROOK HEIGHTS METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 DEFINITION OF REPORTING ENTITY

Meadowbrook Heights Metropolitan District (the District), a quasi-municipal corporation and political subdivision of the state of Colorado, located entirely in Jefferson County, Colorado, was organized on November 5, 2019, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District was established to provide financing for the design, acquisition, installation, construction, and completion of public improvements and services, including sanitation, water, streets, traffic and safety controls, landscaping, park and recreation, television relay and translation, mosquito control, security, covenant enforcement, and fire protection.

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

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

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

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. The effect of interfund activity has been removed from these statements. Governmental activities are normally supported by property taxes and intergovernmental revenues.

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

**MEADOWBROOK HEIGHTS METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

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.

Separate financial statements are provided for the governmental funds. 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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes and RTD maintenance contribution. 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 is due.

The District reports the following major governmental funds:

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

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

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

**MEADOWBROOK HEIGHTS METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 and other financing uses level and lapses at year-end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

The District has amended its annual budget for the year ended December 31, 2021.

Pooled Cash and Investments

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

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 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.

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

Capital Assets

Capital assets, which include infrastructure (e.g., storm drainage, streets, and similar items), are reported in the applicable 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 acquisition value at the date of donation.

Capital assets which are anticipated to be conveyed to other governmental entities are recorded as construction in progress, and are not included in the calculation of net investment in capital assets.

**MEADOWBROOK HEIGHTS METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

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.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Accordingly, the item, *deferred property tax revenue*, is deferred and recognized as an inflow of resources in the period that the amount becomes available.

Equity

Net Position

For government-wide presentation purposes when both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

Fund Balance

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned, and unassigned. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

Nonspendable Fund Balance – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.

Restricted Fund Balance – The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.

Committed Fund Balance – The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.

**MEADOWBROOK HEIGHTS METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity (Continued)

Fund Balance (Continued)

Assigned Fund Balance – The portion of fund balance that is constrained by the government’s intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.

Unassigned Fund Balance – The residual portion of fund balance that does not meet any of the criteria described above.

If more than one classification of fund balance is available for use when an expenditure is incurred, it is the District’s practice to use the most restrictive classification first.

NOTE 3 CASH AND INVESTMENTS

Cash and investments as of December 31, 2021, are classified in the accompanying financial statements as follows:

Statement of Net Position:

| | |
|-----------------------------------|------------------|
| Cash and Investments | \$ 38,532 |
| Cash and Investments - Restricted | 4,007 |
| Total Cash and Investments | <u>\$ 42,539</u> |

Cash and investments as of December 31, 2021, consist of the following:

| | |
|--------------------------------------|------------------|
| Deposits with Financial Institutions | \$ 11,728 |
| Investments | 30,811 |
| Total Cash and Investments | <u>\$ 42,539</u> |

Deposits with Financial Institutions

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 102% of the aggregate uninsured deposits.

**MEADOWBROOK HEIGHTS METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Deposits with Financial Institutions (Continued)

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

At December 31, 2021, the District's cash deposits had a bank balance and carrying balance of \$11,728.

Investments

The District's formal investment policy is to follow state statutes regarding investments.

The District generally limits its concentration of investments to those noted with an asterisk (*) below, which are believed to have minimal credit risk, minimal interest rate risk, and no foreign currency risk. Additionally, the District is not subject to concentration risk or investment custodial risk disclosure requirements for investments that are in the possession of another party.

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

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

As of December 31, 2021, the District had the following investments:

| <u>Investment</u> | <u>Maturity</u> | <u>Amount</u> |
|--|-----------------------------------|---------------|
| Colorado Surplus Asset Fund Trust (CSAFE) | Weighted-Average Under 60 Days | \$ 30,811 |

**MEADOWBROOK HEIGHTS METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

CSAFE

The District invested in the Colorado Surplus Asset Fund Trust (CSAFE) (the Trust), which is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all state statutes governing the Trust. The Trust is similar to a money market fund, with each share valued at \$1.00. CSAFE may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain money market funds, and highest rated commercial paper. A designated custodial bank serves as custodian for CSAFE's portfolio pursuant to a custodian agreement. The custodian acts as safekeeping agent for CSAFE's investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by CSAFE. CSAFE is rated AAAM by Standard & Poor's. CSAFE records its investments at amortized cost and the District records its investments in CSAFE at net asset value as determined by amortized cost. There are no unfunded commitments, the redemption frequency is daily, and there is no redemption notice period.

NOTE 4 CAPITAL ASSETS

The following is an analysis of changes in the District's long-term obligations for the year ended December 31, 2021:

| | Balance at December 31, 2020 | Increases | Decreases | Balance at December 31, 2021 |
|--|------------------------------------|--------------|-----------|------------------------------------|
| Governmental Activities | | | | |
| Capital Assets, Not Being Depreciated: | | | | |
| Construction in Progress | \$ - | \$ 5,120,946 | \$ - | \$ 5,120,946 |
| Total Capital Assets, Not Being Depreciated | - | 5,120,946 | - | 5,120,946 |
| Governmental Activities | | | | |
| Capital Assets, Net | \$ - | \$ 5,120,946 | \$ - | \$ 5,120,946 |

**MEADOWBROOK HEIGHTS METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 5 LONG-TERM OBLIGATIONS

The following is an analysis of changes in the District's long-term obligations for the year ended December 31, 2021:

| | Balance - December 31, 2020 | Additions | Retirements | Balance - December 31, 2021 | Due Within One Year |
|--|-----------------------------------|----------------------|---------------------|-----------------------------------|---------------------------|
| G.O. Limited Tax Bonds Series 2021A(3) | \$ - | \$ 4,921,000 | \$ - | \$ 4,921,000 | \$ - |
| G.O. Limited Tax Bonds Series 2021A(3) Accrued Interest | - | 111,953 | - | 111,953 | - |
| Subtotal Bonds Payable | <u>\$ -</u> | <u>\$ 5,032,953</u> | <u>\$ -</u> | <u>\$ 5,032,953</u> | <u>\$ -</u> |
| Other Debts: | | | | | |
| Developer Advances - O&M | 37,442 | 38,409 | - | 75,851 | - |
| Interest on Developer Advances - O&M | 1,057 | 4,331 | - | 5,388 | - |
| Developer Advances - Capital | - | 5,120,946 | 4,601,586 | 519,360 | - |
| Interest on Developer Advances - Capital | - | 17,032 | - | 17,032 | - |
| Subtotal Other Debts | <u>\$ 38,499</u> | <u>\$ 5,180,718</u> | <u>\$ 4,601,586</u> | <u>\$ 617,631</u> | <u>\$ -</u> |
| Total | <u>\$ 38,499</u> | <u>\$ 10,213,671</u> | <u>\$ 4,601,586</u> | <u>\$ 5,650,584</u> | <u>\$ -</u> |

The details of the District's long-term obligations are as follows:

General Obligation Limited Tax Bonds, Series 2021A(3) (the Bonds)

Bond Proceeds

The District issued the Bonds on July 13, 2021, in the par amount of \$4,921,000. Proceeds from the sale of the Bonds were used to finance or reimburse a portion of the costs of constructing certain public improvements and to pay the costs of issuance of the Bonds.

Details of the Bonds

The Bonds bear interest at the rate of 4.875% per annum and are payable annually on December 1, beginning on December 1, 2021 from, and to the extent of Pledged Revenue available, if any, and mature on December 1, 2051. The Bonds are structured as cash flow bonds meaning that there are no scheduled payments of principal or interest prior to the final maturity date. Unpaid interest on the Bonds compounds annually on each December 1. All of the Bonds and interest thereon are to be deemed to be paid and discharged on December 2, 2061 (the Termination Date), regardless of the amount of principal and interest paid prior to the Termination Date.

**MEADOWBROOK HEIGHTS METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 5 LONG TERM OBLIGATIONS (CONTINUED)

General Obligation Limited Tax Bonds, Series 2021A(3) (the Bonds) (Continued)

Optional Redemption

The Bonds are subject to redemption prior to maturity, at the option of the District, on September 1, 2026, and on any date thereafter, upon payment of par, accrued interest, and a redemption premium equal to a percentage of the principal amount so redeemed as follows:

| <u>Date of Redemption</u> | <u>Redemption Premium</u> |
|---------------------------------------|---------------------------|
| September 1, 2026, to August 31, 2027 | 3.00% |
| September 1, 2027, to August 31, 2028 | 2.00 |
| September 1, 2028, to August 31, 2029 | 1.00 |
| September 1, 2029, and thereafter | 0.00 |

Pledged Revenue

The Bonds are secured by and payable from moneys derived by the District from the following sources: (a) the Required Mill Levy; (b) the portion of the Specific Ownership Tax which is collected as a result of the imposition of the Required Mill Levy; and (c) any other legally available moneys which the District determines, in its absolute discretion, to transfer to the Trustee for application as Pledged Revenue.

Required Mill Levy

The District is required to impose a Required Mill Levy on all taxable property of the District each year in the amount of 55.664 mills less the number of mills necessary to pay unlimited debt (subject to adjustment for changes in the method of calculating assessed valuation that occur after January 1, 2019), or such lesser mill levy as will fund the Bond Fund to an amount sufficient to pay all outstanding principal and interest (both accrued and compounded) due on the Bonds. The Required Mill Levy is net of the collection costs of the County and any tax refunds or abatements authorized by or on behalf of the County.

The District's long-term obligations relating to the Series 2021A(3) general obligation bonds will be paid with available cash flow, therefore a schedule of principal and interest payments is not presented.

**MEADOWBROOK HEIGHTS METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 5 LONG TERM OBLIGATIONS (CONTINUED)

Authorized Debt

On November 5, 2019, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$144,000,000 at an interest rate not to exceed 15% per annum. At December 31, 2021, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

| | Debt Authorized November 5, 2019 | Authorization Used for Series 2021A(3) Bonds | Authorized But Unissued |
|--------------------------|---|---|-------------------------------|
| Water | \$ 8,000,000 | \$ 450,000 | \$ 7,550,000 |
| Streets | 8,000,000 | 3,721,000 | 4,279,000 |
| Traffic and Safety | 8,000,000 | - | 8,000,000 |
| TV Relay | 8,000,000 | - | 8,000,000 |
| Park and Recreation | 8,000,000 | - | 8,000,000 |
| Sanitation | 8,000,000 | 750,000 | 7,250,000 |
| Mosquito Control | 8,000,000 | - | 8,000,000 |
| Public Transportation | 8,000,000 | - | 8,000,000 |
| Security | 8,000,000 | - | 8,000,000 |
| Business Recruitment | 8,000,000 | - | 8,000,000 |
| Fire Protection | 8,000,000 | - | 8,000,000 |
| O&M Debt | 8,000,000 | - | 8,000,000 |
| IGA Debt | 8,000,000 | - | 8,000,000 |
| Revenue Debt | 8,000,000 | - | 8,000,000 |
| Special Assessment Debt | 8,000,000 | - | 8,000,000 |
| Reimbursement Agreements | 8,000,000 | - | 8,000,000 |
| Refunding | 16,000,000 | - | 16,000,000 |
| Total | <u>\$ 144,000,000</u> | <u>\$ 4,921,000</u> | <u>\$ 139,079,000</u> |

The Service Plan also limits the total mill levy to 55.664 mills. Required Mill Levy is discussed under Bonds.

The District's Service Plan limits total debt issuance not to exceed \$8,000,000. In the future, the District may issue a portion 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.

**MEADOWBROOK HEIGHTS METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 6 RELATED PARTY

The Developer of the property which constitutes the District is CalAtlantic Group, Inc. which is now known as Lennar, Corp (the Developer). The majority of members of the Board of Directors are employees, owners, or otherwise associated with the Developer, and may have had conflicts of interest in dealing with the District.

Developer Advance

The District has entered into Funding and Reimbursement Agreements with the Developer as follows:

Infrastructure Acquisition and Reimbursement Agreement

The District and the Developer entered into an Infrastructure Acquisition and Reimbursement Agreement on March 5, 2020, whereby the Developer and the District acknowledge that the District does not presently have the funds necessary for the acquisition, financing, construction, and installation of the Public Infrastructure. Acquisition of certain Public Infrastructure financed and constructed by the Developer that is to be owned by the District will be reimbursed to the Developer.

Prior to the District's obligation to reimburse the Developer for District Eligible Costs, the District's engineer shall review invoices and other material provided by the Developer to substantiate the Developer's payment of District Eligible Costs and shall issue a cost certification form.

Simple interest shall accrue at 7% per annum (noncompounding) on each Payment Advance from the date of deposit into the District's account or from the date of direct payment by CalAtlantic.

As of December 31, 2021, \$519,360 of principal and \$17,032 of interest are outstanding under this Agreement.

Reimbursement Agreement (Operations)

The District and CalAtlantic Group, Inc. (the Developer) entered into a Reimbursement Agreement (Operations) on March 5, 2020, whereby the Developer agreed to loan moneys to the District for the purpose of covering revenue shortfalls with respect to operation and maintenance expenses of the District.

Under the Reimbursement Agreement (Operations), the obligation of the District is to make reimbursements plus interest to the Developer upon the advance of funds made by the Developer on behalf of or to the District, which advances shall be recorded and tracked by the District's accountant. No advances shall be made until the District has advised the Developer of the amount of the requested advance and the Developer has been provided with an opportunity to review and approve the advance.

Each loan advance made under the Reimbursement Agreement (Operations) accrued simple interest at the rate of 7.0% per annum from the date of such advance until the date such advance is repaid.

As of December 31, 2021, \$75,851 of principal and \$5,388 of interest are outstanding under this Agreement.

**MEADOWBROOK HEIGHTS METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 7 NET POSITION

The District has net position consisting of two components – restricted and unrestricted.

Restricted net position consists of assets 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 had a restricted net position as of December 31, 2021, as follows:

| | Governmental Activities |
|-------------------------------|----------------------------|
| Restricted Net Position: | |
| Emergencies | \$ 1,500 |
| Total Restricted Net Position | \$ 1,500 |

The District has a deficit in unrestricted net position. This deficit amount is primarily a result of the District being responsible for the repayment of bonds issued, and accrued interest, for the construction of public improvements that will be conveyed to other governments.

NOTE 8 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 (the Pool). The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery, and workers' compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for 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 9 INTERFUND TRANSFERS

The District transferred \$12,728 from the General Fund to the Capital Projects Fund for the purpose of funding public infrastructure costs.

**MEADOWBROOK HEIGHTS METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 10 TAX, SPENDING, AND DEBT LIMITATIONS

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

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

On November 5, 2019, 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 TABOR.

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

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

SUPPLEMENTARY INFORMATION

**MEADOWBROOK HEIGHTS METROPOLITAN DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
DECEMBER 31, 2021**

| | Budget Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|----------------|-------------|-------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Net Investment Income | \$ - | \$ 10 | \$ 7 | \$ (3) |
| Total Revenues | - | 10 | 7 | (3) |
| EXPENDITURES | | | | |
| Bond Issue Costs | - | 319,414 | 316,914 | 2,500 |
| Contingency | - | 5,316 | - | 5,316 |
| Engineering | - | 12,738 | 12,728 | 10 |
| Capital Outlay | - | 5,120,946 | 5,120,946 | - |
| Total Expenditures | - | 5,458,414 | 5,450,588 | 7,826 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | - | (5,458,404) | (5,450,581) | 7,823 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Bond Proceeds | - | 4,921,000 | 4,921,000 | - |
| Developer Advance | - | 5,120,946 | 5,120,946 | - |
| Repay Developer Advance | - | (4,601,586) | (4,601,586) | - |
| Transfers from Other Funds | - | 18,044 | 12,728 | (5,316) |
| Total Other Financing Sources (Uses) | - | 5,458,404 | 5,453,088 | (5,316) |
| NET CHANGE IN FUND BALANCE | - | - | 2,507 | 2,507 |
| Fund Balance - Beginning of Year | - | - | - | - |
| FUND BALANCE - END OF YEAR | \$ - | \$ - | \$ 2,507 | \$ 2,507 |

**MEADOWBROOK HEIGHTS METROPOLITAN DISTRICT
SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED
DECEMBER 31, 2021**

| Year Ended December 31, | Prior Year Assessed Valuation for Current Year Property Tax Levy | Mills Levied for | | Total Property Taxes | | Percent Collected to Levied |
|---|--|------------------|--------------|-------------------------|-----------|-----------------------------------|
| | | General | Debt Service | Levied | Collected | |
| 2020 | \$ - | 0.000 | 0.000 | \$ - | \$ - | 0.00 % |
| 2021 | 597,021 | 75.664 | 0.000 | 45,173 | 45,706 | 101.18 |
| Estimated for the Year Ending December 31, 2022 | \$ 253,109 | 20.000 | 55.664 | \$ 19,151 | | |

NOTE: Property taxes collected in any one year include collection of delinquent property taxes levied in prior years.