

PRAIRIE CORNER METROPOLITAN DISTRICT
Adams County, Colorado

December 31, 2022

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SCHILLING & COMPANY, INC.

Certified Public Accountants

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Independent Auditor's Report

Board of Directors
Prairie Corner Metropolitan District
Adams County, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Prairie Corner Metropolitan District (District) as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Prairie Corner Metropolitan District, as of December 31, 2022, 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.

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, 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 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we

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

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

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States 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 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 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 basic 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information as listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information is listed in the table of contents and 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 3, 2023

BASIC FINANCIAL STATEMENTS

PRAIRIE CORNER METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
December 31, 2022

	<u>Governmental Activities</u>
ASSETS	
Cash and investments - unrestricted	\$ 4,108
Cash and investments - restricted	1,777,014
Prepaid expenditures	2,671
Property taxes receivable	8
Capital assets, not being depreciated	3,379,203
Total assets	<u>5,163,004</u>
LIABILITIES	
Accounts payable	14,169
Accrued interest payable	24,375
Noncurrent liabilities - due in more than one year:	
Bonds payable	6,000,000
Developer advances payable	35,000
Accrued interest payable - developer advances	1,517
Total liabilities	<u>6,075,061</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred property tax revenue	8
Total deferred inflows of resources	<u>8</u>
NET POSITION	
Investment in capital assets	(95,931)
Restricted for:	
Emergency reserves	1,300
Unrestricted	(817,434)
Total net position	<u>\$ (912,065)</u>

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

**PRAIRIE CORNER METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
Year Ended December 31, 2022**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Change in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contribution</u>	<u>Capital Grants and Contribution</u>	<u>Governmental Activities</u>
Primary government:					
Governmental activities:					
General government	\$ 42,608	\$ -	\$ -	\$ -	\$ (42,608)
Interest and expenses on long-term debt	294,046	-	-	-	(294,046)
	<u>\$ 336,654</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>(336,654)</u>
General revenues:					
Property taxes					9
Interest					22,281
Total general revenues					<u>22,290</u>
Change in net position					(314,364)
Net position - beginning of year					(597,701)
Net position - end of year					<u>\$ (912,065)</u>

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

**PRAIRIE CORNER METROPOLITAN DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2022**

	General	Debt Service	Capital Projects	Total Governmental Funds
ASSETS				
Cash and investments - unrestricted	\$ 4,108	\$ -	\$ -	\$ 4,108
Cash and investments - restricted	-	940,312	836,702	1,777,014
Prepaid expenditures	2,671	-	-	2,671
Property taxes receivable	1	7	-	8
Total assets	\$ 6,780	\$ 940,319	\$ 836,702	\$ 1,783,801
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICIT)				
LIABILITIES				
Accounts payable	14,169	-	-	14,169
Total liabilities	14,169	-	-	14,169
DEFERRED INFLOWS OF RESOURCES				
Deferred property tax revenue	1	7	-	8
Total deferred inflows of resources	1	7	-	8
FUND BALANCES (DEFICIT)				
Nonspendable:				
Prepaid expenditures	2,671	-	-	2,671
Restricted:				
Emergency reserves	1,300	-	-	1,300
Debt service	-	940,312	-	940,312
Capital projects	-	-	836,702	836,702
Unassigned	(11,361)	-	-	(11,361)
Total fund balances (deficit)	(7,390)	940,312	836,702	1,769,624
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
	\$ 6,780	\$ 940,319	\$ 836,702	
Amounts reported for governmental activities in the statement of net position (deficit) are different because:				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				3,379,203
Long-term liabilities are not due and payable in the current period and, therefore, are not in the funds:				
Long-term obligations				(6,036,517)
Accrued interest on long-term obligations				(24,375)
Net position of governmental activities				\$ (912,065)

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

PRAIRIE CORNER METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICIT)
GOVERNMENTAL FUNDS
Year Ended December 31, 2022

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
REVENUES				
Property taxes	\$ 2	\$ 7	\$ -	\$ 9
Interest	-	10,629	11,652	22,281
Total revenues	<u>2</u>	<u>10,636</u>	<u>11,652</u>	<u>22,290</u>
EXPENDITURES				
<u>General</u>				
Audit	4,900	-	-	4,900
District management and accounting	23,275	-	-	23,275
Dues	673	-	-	673
Engineering	1,815	-	-	1,815
Insurance and bonds	495	-	-	495
Legal and organization	11,445	-	-	11,445
Miscellaneous	5	-	-	5
<u>Debt service</u>				
Bond interest	-	292,500	-	292,500
Paying agent fees	-	29	-	29
<u>Capital projects</u>				
Infrastructure and improvements	-	-	2,181,982	2,181,982
Total expenditures	<u>42,608</u>	<u>292,529</u>	<u>2,181,982</u>	<u>2,517,119</u>
EXCESS OF EXPENDITURES OVER REVENUES	<u>(42,606)</u>	<u>(281,893)</u>	<u>(2,170,330)</u>	<u>(2,494,829)</u>
OTHER FINANCING SOURCES				
Developer advances	35,000	-	-	35,000
Total other financing sources	<u>35,000</u>	<u>-</u>	<u>-</u>	<u>35,000</u>
NET CHANGE IN FUND BALANCES	(7,606)	(281,893)	(2,170,330)	(2,459,829)
FUND BALANCES - BEGINNING OF YEAR	<u>216</u>	<u>1,222,205</u>	<u>3,007,032</u>	<u>4,229,453</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ (7,390)</u>	<u>\$ 940,312</u>	<u>\$ 836,702</u>	<u>\$ 1,769,624</u>

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

**PRAIRIE CORNER METROPOLITAN DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2022**

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

Net change in fund balance - Total governmental funds	\$ (2,459,829)
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The net effect of these differences in the treatment of long-term debt is as follows:

Developer advances	(35,000)
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Governmental funds report capital outlays as expenditures. In the statement of activities, capital outlay is not reported as an expenditure. In addition, some expenses in the statement of activities do require the use of financial resources and, therefore, are not reported as expenditures in governmental funds. The net effect of these differences is as follows:

Capital outlay	2,181,982
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Some expenses reported in the Statement of Activities do not require the use of financial resources and, therefore, are not reported as expenditures in governmental funds:

Net change in accrued interest on long-term liabilities	<u>(1,517)</u>
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Change in net position of governmental activities	<u><u>\$ (314,364)</u></u>
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These financial statements should be read only in connection with the accompanying notes to financial statements.

PRAIRIE CORNER METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
Year Ended December 31, 2022

	<u>Budget Amounts</u> <u>Original and Final</u>	<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
REVENUES			
Property taxes	\$ 2	\$ 2	\$ -
Total revenues	<u>2</u>	<u>2</u>	<u>-</u>
EXPENDITURES			
Audit	-	4,900	(4,900)
Directors' fees	3,000	-	3,000
District management and accounting	30,000	23,275	6,725
Dues	2,500	673	1,827
Engineering	-	1,815	(1,815)
Insurance and bonds	3,500	495	3,005
Legal and organization	126,000	11,445	114,555
Miscellaneous	2,500	5	2,495
Developer advance repayment - principal	96,000	-	96,000
Emergency reserves	5,100	-	5,100
Total expenditures	<u>268,600</u>	<u>42,608</u>	<u>225,992</u>
EXCESS OF EXPENDITURES OVER REVENUES	<u>(268,598)</u>	<u>(42,606)</u>	<u>225,992</u>
OTHER FINANCING SOURCES			
Developer advances	176,000	35,000	(141,000)
Transfer from capital projects fund	96,000	-	(96,000)
Total other financing sources	<u>272,000</u>	<u>35,000</u>	<u>(237,000)</u>
NET CHANGE IN FUND BALANCE	3,402	(7,606)	(11,008)
FUND BALANCE - BEGINNING OF YEAR	<u>225</u>	<u>216</u>	<u>(9)</u>
FUND BALANCE (DEFICIT) - END OF YEAR	<u>\$ 3,627</u>	<u>\$ (7,390)</u>	<u>\$ (11,017)</u>

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

PRAIRIE CORNER METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 1 - DEFINITION OF REPORTING ENTITY

Prairie Corner Metropolitan District (District), a quasi-municipal corporation and political subdivision of the State of Colorado was organized in November 2020 and is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in Adams County, Colorado. The District was established to finance, plan, design, acquire, construct, install, relocate and/or redevelop public improvements for the use and benefit of the District's property owners.

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 District 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 assets plus deferred outflows of resources and liabilities plus deferred inflows of resources of the District is reported as net position.

PRAIRIE CORNER METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 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. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Expenditures for property and equipment are shown as increases in assets and redemption of bonds, notes and developer advances 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 and specific ownership taxes. Expenditures, other than interest on long-term obligations are recorded when the liability is incurred or the long-term obligation paid. All other revenue items are considered to be measurable and available only when cash is received by the District.

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 other funds.

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

PRAIRIE CORNER METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Budgets

In accordance with the Local Government Budget Law of Colorado, 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 requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

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 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.

Capital Assets

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

PRAIRIE CORNER METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. 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 inflows of resources related to property tax revenues are recorded as revenue in the year they are available or collected.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The revenue continues to be recognized when earned in the government-wide statements. 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.

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.

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.

**PRAIRIE CORNER METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2022**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

NOTE 3 - CASH AND INVESTMENTS

Cash and investments as of December 31, 2022 are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and investments - unrestricted	\$ 4,108
Cash and investments – restricted	<u>1,777,014</u>
Total cash and investments	<u>\$ 1,781,122</u>

Cash and investments as of December 31, 2022 consist of the following:

Deposits with financial institutions	\$ 4,108
Investments	<u>1,777,014</u>
Total cash and investments	<u>\$ 1,781,122</u>

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.

PRAIRIE CORNER METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

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

As of December 31, 2022, the District's cash deposits had a bank and carrying balance of \$4,108.

Investments

Credit Risk

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments. The District does not have a policy that addresses limitations on the amount that can be invested in any one issuer, however, the District invests primarily in local government investment pools, which are not subject to concentration of credit risk.

Colorado statutes 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 and lending agreements
- . Certain corporate bonds
- . Written repurchase agreements collateralized by certain authorized securities
- . Certain money market funds
- . Guaranteed investment contracts
- * Local government investment pools

The District generally limits its concentration of investments to those noted with an asterisk (*) above, 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 disclosure requirements or subject to investment custodial risk for investments that are in the possession of another party.

**PRAIRIE CORNER METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2022**

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

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.

As of December 31, 2022, the District had the following investment:

<u>Investment</u>	<u>Maturity</u>	<u>Carrying Value</u>
Fidelity Investments Money Market Government Portfolio – Class III	Weighted average under 60 days	<u>\$ 1,777,014</u> <u>\$ 1,777,014</u>

Fidelity Investments Money Market Government Portfolio – Class III Fund

During 2022 and as of December 31, 2022, the District invested in the Fidelity Investments Money Market Government Portfolio – Class III Fund (Fidelity Fund). The Fidelity Fund invests in U.S. Government securities and/or repurchase agreements. The Fund operates similarly to a money market fund and each share is equal in value to \$1.00. There are no unfunded commitments, the redemption period frequency is daily and there is no redemption notice period. The Fidelity Fund is rated AAA-mf by Moodys and AAA-m by Standard & Poor.

Cash and investments of \$940,312 and \$836,702 are restricted in the Debt Service Fund and Capital Projects Fund, respectively, for servicing the District’s bond debt (Note 5) and financing the District’s capital projects.

Investment Valuation

Certain investments 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; and 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 measured at amortized cost or in certain circumstances the value is calculated using the net asset value (NAV) per share, or its equivalent of the investment. These investments include 2a-7 like external investment pools and money market investments. The District held investments in the Fidelity Fund at year end for which the investment valuations were determined as follows.

**PRAIRIE CORNER METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2022**

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

The Fidelity Fund determines the NAV of the shares of each portfolio as of the close of business on each day. The NAV per share of each portfolio is computed by dividing the total value of the securities and other assets of the portfolios, less any liabilities, by the total outstanding shares of the portfolios. Liabilities, which include all expenses and fees of the Fidelity Fund, are accrued daily. The NAV is calculated at fair value using various inputs to determine the value in accordance with FASB guidance. It is the goal of the Fidelity Fund to maintain a NAV of \$1.00 per share, however changes in interest rates may affect the fair value of the securities held by the Fidelity Fund and there can be no assurance that the NAV will not vary from \$1.00 per share.

NOTE 4 – CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2022 follows:

<u>Governmental Activities</u>	Balance December 31, 2021	Increases	Decreases	Balance December 31, 2022
Capital assets, not being depreciated:				
Construction in progress	\$ 1,197,221	\$ 2,181,982	\$ -	\$ 3,379,203
Total capital assets	<u>\$ 1,197,221</u>	<u>\$ 2,181,982</u>	<u>\$ -</u>	<u>\$ 3,379,203</u>

Capital assets constructed by the District, including water and sewer improvements, perimeter sidewalks and street improvements, will be transferred to the City of Brighton in accordance with an Intergovernmental Agreement dated September 1, 2020 by and between the District and the City of Brighton.

PRAIRIE CORNER METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 5 - LONG-TERM OBLIGATIONS

The following is an analysis of changes in long-term obligations for the year ended December 31, 2022:

	<u>Balance December 31, 2021</u>	<u>Additions</u>	<u>Retirements/ Adjustments</u>	<u>Balance December 31, 2022</u>	<u>Due Within One Year</u>
<i>Bonds payable:</i>					
Limited Tax G.O. Bonds, Series 2021	\$ 6,000,000	\$ -	\$ -	\$ 6,000,000	\$ -
<i>Other obligations:</i>					
Developer advances	-	35,000	-	35,000	-
Accrued interest on advances	-	1,517	-	1,517	-
Total	<u>\$ 6,000,000</u>	<u>\$ 36,517</u>	<u>\$ -</u>	<u>\$ 6,036,517</u>	<u>\$ -</u>

Limited Tax General Obligation Bonds, Series 2021

On July 13, 2021, the District issued Limited Tax General Obligation Bonds, Series 2021 (Series 2021 Bonds) in the principal amount of \$6,000,000. The Series 2021 Bonds were issued for the purpose of providing funds to (i) reimburse or pay for the planning, design, acquisition, construction, installation, relocation and redevelopment of public improvements for the District, (ii) provide capitalized interest on the Series 2021 Bonds, (iii) fund a reserve account and (iv) pay the costs associated with the issuance of the Series 2021 Bonds.

The Series 2021 Bonds are payable from the following sources, after payment of the costs of collection: (i) property taxes derived from the required mill levy, (ii) the portion of the specific ownership taxes which are collected as a result of the imposition of the required mill levy, (iii) all PILOT and PIF revenues and (iv) any other legally available funds of the District.

The required mill levy is not to exceed 50 mills, subject to adjustments related to future changes in the method of calculating the District's assessed valuation, but not less than 50 mills for so long as the amounts on deposit in the surplus and reserve funds is less than the required amounts.

Interest on the Series 2021 Bonds is payable semiannually on June 1 and December 1 at 4.875% with principal due each December 1 and the Series 2021 Bonds mature on December 1, 2051 and the Subordinate Bonds mature December 1, 2051. A portion of the Series 2021 Bonds were used to establish a required reserve account in the amount of \$445,206. As of December 31, 2022 the reserve account balance was \$449,455.

PRAIRIE CORNER METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

Significant events of default under the Series 2021 Bonds include (i) failure to impose the required mill levy or apply pledged revenue as required, (ii) failure to meet financial or bond resolution covenants and (iii) filing of a petition for bankruptcy. Immediately upon the occurrence and continuance of an event of default, the bondholders have rights or remedies including the right to file a suit for judgment, action or special proceedings.

The following table sets forth the estimated debt service payment schedule for the principal and interest on the Series 2021 Bonds:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ -	\$ 292,500	\$ 292,500
2024	-	292,500	292,500
2025	-	292,500	292,500
2026	85,000	292,500	377,500
2027	90,000	288,356	378,356
2028-2032	555,000	1,369,386	1,924,386
2033-2037	790,000	1,212,900	2,002,900
2038-2042	1,085,000	992,550	2,077,550
2043-2047	1,455,000	694,200	2,149,200
2048-2051	1,940,000	273,977	2,213,977
	<u>\$ 6,000,000</u>	<u>\$ 6,001,369</u>	<u>\$ 12,001,369</u>

Infrastructure Acquisition and Funding Agreement

On January 27, 2021, the District and Prairie Corner Development Partners, LLC (Developer) entered into an Infrastructure Acquisition and Funding Agreement (Funding Agreement). Pursuant to the Funding Agreement, the Developer agreed, in its sole and absolute discretion, to either advance funds to the District to design, acquire, construct, install and complete certain public infrastructure or to design, acquire, construct, install and complete certain public infrastructure and then transfer such public infrastructure to the District, the City of Brighton or other governmental entity for public use.

Any unpaid amounts advanced will bear interest at 7.0% per annum. The term of the Funding Agreement ends on the date that the last repayment amount has been paid in full to the Developer or its assignee or on January 27, 2061, whichever date occurs first. Any infrastructure reimbursement amounts remaining unpaid under the Funding Agreement as of the date of termination will be considered discharged and satisfied in full. As of December 31, 2022, there were no amounts due to the Developer under the Funding Agreement.

PRAIRIE CORNER METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

Operating Reimbursement Agreement

On January 27, 2021, the District and the Developer entered into an Operating and Reimbursement Agreement (Reimbursement Agreement) to establish the terms and conditions pursuant to which: i) the District would reimburse the Developer for costs and expenses related to the organization of the District, ii) the Developer, in its sole and absolute discretion, may advance additional funds to pay any future operating, maintenance, and/or administrative expenses as requested by the District and iii) the District agreed to reimburse the Developer for all advances, together with interest at 7.0% per year. Payments made by the District are subject to annual appropriation and budget approval using any legally available revenue which is not otherwise appropriated, obligated, pledged or reserved for any current or future purpose in any fiscal year. As of December 31, 2022, there was \$35,000 in principal and \$1,517 of accrued interest due to the Developer under the Reimbursement Agreement.

Authorized Debt

As December 31, 2022, the District had authorized but unissued indebtedness remaining in the amount of \$465,000 as the service plan limits the debt authorization to \$6,465,000.

NOTE 6 – FUND EQUITY

At December 31, 2022, the District reported the following classifications of fund equity.

Nonspendable Fund Balance

The nonspendable fund balance in the General Fund in the amount of \$2,671 represents prepaid expenditures for the ensuing fiscal year and is therefore not in a spendable form.

Restricted Fund Balance

The restricted fund balance in the General Fund in the amount of \$1,300 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 10).

The restricted fund balance in the Debt Service Fund in the amount of \$940,312 is to be used exclusively for debt service requirements (see Note 5).

The restricted fund balance in the Capital Projects Fund in the amount of \$836,702 is to be used exclusively for capital projects.

**PRAIRIE CORNER METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2022**

NOTE 6 – FUND EQUITY (CONTINUED)

Unassigned Fund Deficit

The District anticipates that the unassigned deficit balance of \$11,361 in the general fund will be eliminated with developer advances.

NOTE 7 - NET POSITION

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

The net investment in capital assets consists of capital assets owned by the District, net of accumulated depreciation, if applicable, and reduced by the outstanding balances of bonds mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvements of those assets. As of December 31, 2022, the District had a net deficit in capital assets in the amount of \$95,931.

The restricted portion of the net position include amounts that are restricted either externally 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 as of December 31, 2022 is as follows:

	Governmental Activities
Restricted net position:	
TABOR emergency reserve (Note 10)	\$ 1,300
	\$ 1,300

In the government-wide financial statement, the District’s unrestricted net deficit as of December 31, 2022 totaled \$817,434 primarily due to interest and expenses related to long-term obligations in excess of revenues in the debt service fund.

PRAIRIE CORNER METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 8 – RELATED PARTIES

The members of the board of directors of the District are employees, owners or associated with the Developer of the District and may have conflicts of interest in dealing with the District.

Agreements Imposing Public Improvement Fees (PIF)

Effective June 11, 2021, the District and the Developer entered into an agreement to implement and impose an add-on PIF to be paid to the District in the amount of 1.25% for transactions within the Developer's properties that are subject to taxable sales. Upon payment in full or defeasance of all outstanding District bonds, the Developer, at its election, may discontinue or continue the add-on PIF or increase or decrease the rate of the add-on PIF.

Effective June 11, 2021, the District and the Developer entered into an agreement to implement and impose a lodging PIF to be paid to the District in the amount of 1.00% of lodging sales for transactions within the Developer's properties that is subject to lodging taxes. Upon payment in full or defeasance of all outstanding District bonds, the Developer, at its election, may discontinue or continue the lodging PIF or increase or decrease the rate of the lodging PIF.

Developer owned properties in the District is to include a mix of uses generally comprised of commercial, office, medical, retail and/or hotel, together with related amenities and uses. The revenue generated pursuant to these agreements is to be used solely for debt service payments, for so long as the District has outstanding debt obligations.

Payment in Lieu of Taxes (PILOT)

Effective June 11, 2021, the District and the Developer entered into a payment in lieu of taxes agreement related to property owned by the Developer. Payment to the District is due by the Developer (at the same time property taxes are due) in an annual amount equal to the revenue that would be derived from the imposition by the District of the mill levy on that portion of the taxable real and personal property within the District that is owned by the Developer. The revenue generated pursuant to the debt service mill levy is to be used solely for debt service payments, for so long as the District has outstanding debt obligations. The revenue generated pursuant to the operations and maintenance mill levy shall be used for any purpose which the District is authorized to use the revenue under State law. The PILOT shall terminate upon the dissolution of the District.

PRAIRIE CORNER METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 9 - RISK MANAGEMENT

Except as provided in the Colorado Governmental Immunity Act, the District may be 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). 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 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, except Enterprise.

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 November 3, 2020, the District's electors authorized the District to collect, retain and spend annually any and all amounts from any revenue sources without regard to any limitation imposed by TABOR.

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.

PRAIRIE CORNER METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 11 – ECONOMIC DEPENDENCY

The District has not yet established a revenue base sufficient to pay the District's operational expenditures. Until an independent revenue base is established, continuation of operations in the District will be dependent upon funding by the Developer to advance funds for operations.

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

SUPPLEMENTARY INFORMATION

PRAIRIE CORNER METROPOLITAN DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
DEBT SERVICE FUND
Year Ended December 31, 2022

	<u>Budget Amounts</u> <u>Original and Final</u>	<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
REVENUES			
PIF/PILOT revenues	\$ 18,000	\$ -	\$ (18,000)
Property taxes	8	7	(1)
Specific ownership taxes	1	-	(1)
Interest	200	10,629	10,429
Total revenues	<u>18,209</u>	<u>10,636</u>	<u>(7,573)</u>
EXPENDITURES			
Bond interest	292,500	292,500	-
Paying agent fees	3,000	29	2,971
Total expenditures	<u>295,500</u>	<u>292,529</u>	<u>2,971</u>
NET CHANGE IN FUND BALANCE	(277,291)	(281,893)	\$ (4,602)
FUND BALANCE - BEGINNING OF YEAR	<u>1,222,240</u>	<u>1,222,205</u>	<u>(35)</u>
FUND BALANCE - END OF YEAR	<u>\$ 944,949</u>	<u>\$ 940,312</u>	<u>\$ (4,637)</u>

PRAIRIE CORNER METROPOLITAN DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
Year Ended December 31, 2022

	<u>Budget Amounts</u> <u>Original and Final</u>	<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
REVENUES			
Interest	\$ 500	\$ 11,652	\$ 11,152
Total revenues	<u>500</u>	<u>11,652</u>	<u>11,152</u>
EXPENDITURES			
<u>General</u>			
Accounting and management	20,000	-	20,000
Legal	20,000	-	20,000
<u>Capital outlay</u>			
Infrastructure and improvements	2,900,000	2,181,982	718,018
<u>Debt service</u>			
Trustee fees	4,000	-	4,000
Total expenditures	<u>2,944,000</u>	<u>2,181,982</u>	<u>762,018</u>
EXCESS OF EXPENDITURES OVER REVENUES	<u>(2,943,500)</u>	<u>(2,170,330)</u>	<u>773,170</u>
OTHER FINANCING USES			
Transfer to general fund	(96,000)	-	96,000
Total other financing uses	<u>(96,000)</u>	<u>-</u>	<u>96,000</u>
NET CHANGE IN FUND BALANCE	(3,039,500)	(2,170,330)	869,170
FUND BALANCE - BEGINNING OF YEAR	<u>3,101,935</u>	<u>3,007,032</u>	<u>(94,903)</u>
FUND BALANCE - END OF YEAR	<u>\$ 62,435</u>	<u>\$ 836,702</u>	<u>\$ 774,267</u>

OTHER INFORMATION

PRAIRIE CORNER METROPOLITAN DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2022

\$6,000,000 Series 2021
Limited Tax General Obligation Bonds
Dated July 13, 2021
Interest Rate of 4.875%
Payable on June 1 and December 1,
Principal Due December 1

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ -	\$ 292,500	\$ 292,500
2024	-	292,500	292,500
2025	-	292,500	292,500
2026	85,000	292,500	377,500
2027	90,000	288,356	378,356
2028	100,000	283,968	383,968
2029	100,000	279,094	379,094
2030	110,000	274,218	384,218
2031	115,000	268,856	383,856
2032	130,000	263,250	393,250
2033	135,000	256,912	391,912
2034	150,000	250,332	400,332
2035	155,000	243,018	398,018
2036	170,000	235,462	405,462
2037	180,000	227,176	407,176
2038	195,000	218,400	413,400
2039	200,000	208,894	408,894
2040	215,000	199,144	414,144
2041	230,000	188,662	418,662
2042	245,000	177,450	422,450
2043	255,000	165,506	420,506
2044	275,000	153,076	428,076
2045	290,000	139,668	429,668
2046	310,000	125,532	435,532
2047	325,000	110,418	435,418
2048	345,000	94,576	439,576
2049	360,000	77,756	437,756
2050	385,000	60,206	445,206
2051	850,000	41,439	891,439
	<u>\$ 6,000,000</u>	<u>\$ 6,001,369</u>	<u>\$ 12,001,369</u>

**PRAIRIE CORNER METROPOLITAN DISTRICT
SCHEDULE OF ASSESSED VALUATION,
MILL LEVY AND PROPERTY TAXES COLLECTED
December 31, 2022**

<u>Year Ended December 31,</u>	<u>Prior Year Assessed Valuation for Current Year Property Tax Levy</u>	<u>Mills Levied</u>	<u>Total Property Taxes</u>		<u>Percentage Collected to Levied</u>
			<u>Levied</u>	<u>Collected</u>	
2021	\$ -	0.000	\$ -	\$ -	-
2022	\$ 150	60.000	\$ 10	\$ 9	90.00%
Estimated for the year ending December 31, 2023	\$ 140	60.000	\$ 8		

NOTE:

Property taxes collected in any one year include collection of delinquent property taxes assessed in prior years, as well as reductions for property tax refunds or abatements. Information received from the County Treasurer does not permit identification of specific year of assessment.