

**SECOND CREEK FARM
METROPOLITAN DISTRICT NO. 1**

Commerce City, Colorado

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2023

**SECOND CREEK FARM METROPOLITAN DISTRICT NO. 1
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2023**

| | |
|--|-----------|
| INDEPENDENT AUDITOR’S REPORT | 1 |
| BASIC FINANCIAL STATEMENTS | |
| GOVERNMENT-WIDE FINANCIAL STATEMENTS | |
| STATEMENT OF NET POSITION | 1 |
| STATEMENT OF ACTIVITIES | 2 |
| FUND FINANCIAL STATEMENTS | |
| BALANCE SHEET – GOVERNMENTAL FUNDS | 3 |
| STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS | 4 |
| RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES | 5 |
| GENERAL FUND – STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL | 6 |
| NOTES TO BASIC FINANCIAL STATEMENTS | 7 |
| SUPPLEMENTARY INFORMATION | |
| CAPITAL PROJECTS FUND – SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL | 24 |
| OTHER INFORMATION | |
| SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED | 26 |



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Second Creek Farm Metropolitan District No. 1
Commerce City, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Second Creek Farm Metropolitan District No. 1 (the District) as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2023, and the respective changes in financial position thereof, and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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Fiscal Focus Partners, LLC

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 judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risk 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 judgement, 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 to 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 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 and Other 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 and other information (together, the information) as identified in the table of contents is presented for the purposes of additional analysis and legal compliance and is not a required part of the basic financial statements.

Such 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, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Matters

Economic Dependency

As disclosed in Note 7 of the financial statements, the District has not yet established a revenue base sufficient to pay the District's operational expenditures. Until an independent revenue base is established, the District may be dependent upon the developer for funding continued operations.

Fiscal Focus Partners, LLC

Arvada, Colorado
September 30, 2024

BASIC FINANCIAL STATEMENTS

SECOND CREEK FARM METROPOLITAN DISTRICT NO. 1
STATEMENT OF NET POSITION
DECEMBER 31, 2023

| | Governmental Activities |
|--------------------------------------|----------------------------|
| ASSETS | |
| Cash and Investments | \$ 60,391 |
| Due from Other Districts | 2,071 |
| Property Tax Receivable | 18,308 |
| Capital Assets: | |
| Capital Assets Not Being Depreciated | 19,982,404 |
| Total Assets | 20,063,174 |
| LIABILITIES | |
| Accounts Payable | 102,533 |
| Noncurrent Liabilities: | |
| Due in More Than One Year | 3,347,884 |
| Total Liabilities | 3,450,417 |
| DEFERRED INFLOWS OF RESOURCES | |
| Property Tax Revenue | 18,308 |
| Total Deferred Inflows of Resources | 18,308 |
| NET POSITION | |
| Net Investment in Capital Assets | 18,661,018 |
| Unrestricted | (2,066,569) |
| Total Net Position | \$ 16,594,449 |

See accompanying Notes to Basic Financial Statements.

**SECOND CREEK FARM METROPOLITAN DISTRICT NO. 1
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2023**

| | Program Revenues | | | Capital Grants and Contributions | Net Revenues (Expenses) and Changes in Net Position |
|---|----------------------------|--|--|--|---|
| | Charges for Services | Operating Grants and Contributions | Operating Grants and Contributions | Governmental Activities | |
| FUNCTIONS/PROGRAMS | | | | | |
| Primary Government: | | | | | |
| Governmental Activities: | | | | | |
| General Government | \$ 227,463 | \$ - | \$ - | | \$ (227,463) |
| Interest on Long-Term Debt and Related Costs | 187,490 | - | - | | (187,490) |
| | \$ 414,953 | \$ - | \$ - | | (414,953) |
| Total Governmental Activities | | | | | |
| | | | | | |
| GENERAL REVENUES | | | | | |
| Interest Income | | | | | 3 |
| Intergovernmental Revenues | | | | | 71,353 |
| Total General Revenues and Transfers | | | | | 71,356 |
| | | | | | (343,597) |
| CHANGES IN NET POSITION | | | | | |
| Net Position - Beginning of Year | | | | | 16,938,046 |
| NET POSITION - END OF YEAR | | | | | \$ 16,594,449 |

See accompanying Notes to Basic Financial Statements.

**SECOND CREEK FARM METROPOLITAN DISTRICT NO. 1
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2023**

| | General | Capital Projects | Total Governmental Funds |
|---|------------------|---------------------|--------------------------------|
| ASSETS | | | |
| Cash and Investments | \$ 2,467 | \$ 57,923 | \$ 60,390 |
| Due from Other Districts | 2,071 | - | 2,071 |
| Property Tax Receivable | 18,308 | - | 18,308 |
| Total Assets | <u>\$ 22,846</u> | <u>\$ 57,923</u> | <u>\$ 80,769</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | | | |
| LIABILITIES | | | |
| Accounts Payable | \$ 68,944 | \$ 33,588 | \$ 102,532 |
| Total Liabilities | 68,944 | 33,588 | 102,532 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred Property Tax | 18,308 | - | 18,308 |
| Total Deferred Inflows of Resources | 18,308 | - | 18,308 |
| FUND BALANCES | | | |
| Assigned to: | | | |
| Subsequent Year's Expenditures | 2,249 | - | 2,249 |
| Capital Projects | - | 24,335 | 24,335 |
| Unassigned | (66,655) | - | (66,655) |
| Total Fund Balances | <u>(64,406)</u> | <u>24,335</u> | <u>(40,071)</u> |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | <u>\$ 22,846</u> | <u>\$ 57,923</u> | |
| 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. | | | |
| Construction in Progress | | | 19,982,404 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. | | | |
| Developer Advance Payable | | | (2,338,692) |
| Accrued Developer Advance Interest | | | (1,009,192) |
| Net Position of Governmental Activities | | | <u>\$ 16,594,449</u> |

See accompanying Notes to Basic Financial Statements.

SECOND CREEK FARM METROPOLITAN DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2023

| | General | Capital Projects | Total Governmental Funds |
|--|--------------------|---------------------|--------------------------------|
| REVENUES | | | |
| Interest Income | \$ 3 | \$ - | \$ 3 |
| Intergovernmental Revenues | 71,353 | - | 71,353 |
| Total Revenues | <u>71,356</u> | <u>-</u> | <u>71,356</u> |
| EXPENDITURES | | | |
| Current: | | | |
| Accounting | 51,388 | - | 51,388 |
| Auditing | 17,300 | - | 17,300 |
| Dues And Membership | 1,259 | - | 1,259 |
| Election | 17,832 | - | 17,832 |
| Engineering | - | 64,475 | 64,475 |
| Insurance | 12,370 | - | 12,370 |
| Legal | 42,778 | 2,801 | 45,579 |
| Paying Agent Fees | 17,000 | - | 17,000 |
| Snow Removal | 260 | - | 260 |
| Capital Projects: | | | |
| Capital Outlay | - | 63,143 | 63,143 |
| Total Expenditures | <u>160,187</u> | <u>130,419</u> | <u>290,606</u> |
| EXCESS OF REVENUES UNDER EXPENDITURES | (88,831) | (130,419) | (219,250) |
| OTHER FINANCING SOURCES (USES) | | | |
| Developer Advance | - | 63,143 | 63,143 |
| Transfers From Other Funds | - | 33,937 | 33,937 |
| Transfers To Other Fund | (33,937) | - | (33,937) |
| Total Other Financing Sources (Uses) | <u>(33,937)</u> | <u>97,080</u> | <u>63,143</u> |
| NET CHANGE IN FUND BALANCES | (122,768) | (33,339) | (156,107) |
| Fund Balances - Beginning of Year | <u>58,362</u> | <u>57,674</u> | <u>116,036</u> |
| FUND BALANCES - END OF YEAR | <u>\$ (64,406)</u> | <u>\$ 24,335</u> | <u>\$ (40,071)</u> |

See accompanying Notes to Basic Financial Statements.

**SECOND CREEK FARM METROPOLITAN DISTRICT NO. 1
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2023**

Net Change in Fund Balances - Total Governmental Funds \$ (156,107)

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, depreciation and dedication of capital assets to other governments, in the current period.

Capital Outlay 63,143

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of government funds. Neither transaction, however, has any effect on net position.

Developer Advance (63,143)

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 Payable Developer Advance - Change in Liability (187,490)

Changes in Net Position of Governmental Activities \$ (343,597)

**SECOND CREEK FARM METROPOLITAN DISTRICT NO. 1
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2023**

| | Original and Final Budget | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--|---------------------------------|--------------------|---|
| REVENUES | | | |
| Property Taxes | \$ 12,614 | \$ - | \$ (12,614) |
| Specific Ownership Taxes | 883 | - | (883) |
| Interest Income | - | 3 | 3 |
| Intergovernmental Revenues | 108,808 | 71,353 | (37,455) |
| Total Revenues | <u>122,305</u> | <u>71,356</u> | <u>(50,949)</u> |
| EXPENDITURES | | | |
| Accounting | 70,000 | 51,388 | 18,612 |
| Auditing | 15,000 | 17,300 | (2,300) |
| Contingency | 7,811 | - | 7,811 |
| County Treasurer's Fee | 189 | - | 189 |
| Dues And Membership | 2,000 | 1,259 | 741 |
| Election | 2,500 | 17,832 | (15,332) |
| Insurance | 12,500 | 12,370 | 130 |
| Legal | 70,000 | 42,778 | 27,222 |
| Miscellaneous | 500 | - | 500 |
| Paying Agent Fees | 9,500 | 17,000 | (7,500) |
| Snow Removal | - | 260 | (260) |
| Total Expenditures | <u>190,000</u> | <u>160,187</u> | <u>29,813</u> |
| EXCESS OF REVENUES UNDER EXPENDITURES | (67,695) | (88,831) | (21,136) |
| OTHER FINANCING SOURCES (USES) | | | |
| Developer Advance | 20,000 | - | (20,000) |
| Transfers To Other Fund | - | (33,937) | (33,937) |
| Total Other Financing Sources (Uses) | <u>20,000</u> | <u>(33,937)</u> | <u>(53,937)</u> |
| NET CHANGE IN FUND BALANCE | (47,695) | (122,768) | (75,073) |
| Fund Balance - Beginning of Year | <u>56,074</u> | <u>58,362</u> | <u>2,288</u> |
| FUND BALANCE - END OF YEAR | <u>\$ 8,379</u> | <u>\$ (64,406)</u> | <u>\$ (72,785)</u> |

See accompanying Notes to Basic Financial Statements.

SECOND CREEK FARM METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1 DEFINITION OF REPORTING ENTITY

Second Creek Farm Metropolitan District No. 1 (the District), a quasi-municipal corporation and political subdivision of the state of Colorado, was organized on December 5, 2002 concurrently with the organization of Second Creek Farm Metropolitan District No. 2 (District No. 2). Second Creek Farm Metropolitan District No. 3 (District No. 3) and Second Creek Farm Metropolitan District No. 4 (District No. 4 and together with the District, District No. 2 and District No. 3, the Districts) were both formed in 2006. The Districts are governed by the Colorado Special District Act and other applicable statutes governing political subdivisions. The District's service area is located entirely within the City of Commerce City, Colorado (the City). The Districts were organized to work cooperatively to provide design, acquisition, construction, installation, financing and operation of public improvements, including streets and safety controls, transportation, mosquito control, television relay, water, sanitary sewer, storm drainage, park and recreation improvements and facilities, and erosion control to their service area.

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

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

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

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 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.

SECOND CREEK FARM METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

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 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. Expenditures for property, plant, and equipment are shown as increases in assets and redemption of bonds and notes are recorded as 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 in 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. All other revenue items are considered to be measurable and available only when cash is received by the District. The District determined that Developer advances are not considered as revenue susceptible to accrual. 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 Capital Projects Fund is used to account for financial resources to be used for the acquisition and construction of capital equipment and facilities.

SECOND CREEK FARM METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

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 total 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 amended its annual budget for the year ended December 31, 2023.

Pooled Cash and Investments

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a single bank or investment 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.

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

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

Capital Assets

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

SECOND CREEK FARM METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

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 fixed assets, as applicable. Depreciation expense has been computed using the straight-line method over the following estimated economic useful lives.

| | |
|----------------------|----------------|
| Parks and Open Space | 15 to 50 Years |
| Infrastructure | 30 to 50 Years |
| Other Improvements | 15 to 30 Years |

South Adams County Water and Sanitation District Equivalent Residential Units for Water and Sewer Services (ERU Credits)

As of December 31, 2023 the District no longer owns any ERU Credits originally acquired pursuant to a prior option agreement between the PV District Enterprise and the District at a cost of \$8,426 each. The cost of the ERU Credits includes the cost of acquisition plus an administrative fee. Since the ERU Credits have a perpetual life, they are not depreciated. All other costs, including costs incurred for the protection of the ERU Credits, are expensed. On December 29, 2022, 104th Ave Retail Investments North, LLC assigned to the District 10 optioned FRICO ERU Water Credits pursuant to assignment and Bill of Sale (Plan B Project ERU Water Credits and ERU Water Connections only) for the purchase price of \$4,979 per ERU plus and administrative fee.

Water Resources Agreement

Second Creek Holdings, LLC (the Developer) (the owner of property within the service area of the Districts) and South Adams County Water and Sanitation District (SACWSD) entered into a Water Resources Agreement on October 21, 2019 pertaining to the Developer's acquisition of 751 Large User Phase 4A water resources from SACWSD at the cost of \$6,850 per ERU to provide water service to the development within service area of the Districts. SACWSD has a policy that it will not make Phase 4A ERUs available for sale until any existing ERUs (such as the ones owned by the District) have been fully utilized. The District executed the Water Resources Agreement to acknowledge that the Developer will not be entitled to acquire any additional Phase 4A ERUs, in excess of the 751 Large User Phase 4A ERUs, until such time as the District's 45.51 ERUs have been fully utilized. The District made the District's ERUs available to property owners within the District for landscaping and other water needs associated with development of Property within the Districts' service area.

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.

SECOND CREEK FARM METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

Deficits

The General Fund reported a deficit in the fund financial statements as of December 31, 2023. The deficit will be eliminated with the receipt of property taxes in 2024.

SECOND CREEK FARM METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 3 CASH AND INVESTMENTS

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

Statement of Net Position:

| | |
|----------------------------|-----------|
| Cash and Investments | \$ 60,391 |
| Total Cash and Investments | \$ 60,391 |

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

| | |
|--------------------------------------|-----------|
| Deposits with Financial Institutions | \$ 60,355 |
| Investments | 36 |
| Total Cash and Investments | \$ 60,391 |

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.

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

At December 31, 2023, the District's cash deposits had a bank statement balance of \$62,502 and a carrying balance of \$60,354.

Investments

The District has not adopted a formal investment policy; however, the District follows 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.

**SECOND CREEK FARM METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

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 and certain reverse repurchase agreements collateralized by certain authorized securities
- . Certain money market funds
- . Guaranteed investment contracts
- * Local government investment pools

As of 2023, the District had the following investments:

| <u>Investment</u> | <u>Maturity</u> | <u>Amount</u> |
|--|-----------------------------------|---------------|
| Colorado Local Government Liquid Asset Trust (CSAFE) | Weighted-Average Under 60 Days | \$ 36 |
| | | <u>\$ 36</u> |

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 currently offers two portfolios – CSAFE CASH FUND and CSAFE CORE.

CSAFE CASH FUND operates similar to a money market fund, with each share valued at \$1.00. CSAFE CASH FUND may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain money market funds, highest rated commercial paper, and any security allowed under Section 24-75-601.1, C.R.S.

CSAFE CORE, a variable Net Asset Value (NAV) Local Government Investment Pool, offers weekly liquidity and is managed to approximate a \$2.00 transactional share price. CSAFE CORE may invest in securities authorized by Section 24-75-601.1, C.R.S., including U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies, and highest rated commercial paper.

SECOND CREEK FARM METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

CSAFE (Continued)

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 CASH FUND is rated AAmmf and CSAFE CORE is rated AAAf/S1 by Fitch Ratings. 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

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

| | Balance at December 31, 2022 | Increases | Decreases | Balance at December 31, 2023 |
|--|------------------------------------|------------------|-------------|------------------------------------|
| Governmental Activities: | | | | |
| Capital Assets, Not Being Depreciated: | | | | |
| Construction in Progress | \$ 19,919,261 | \$ 63,143 | \$ - | \$ 19,982,404 |
| Total Capital Assets, Not Being Depreciated | <u>\$ 19,919,261</u> | <u>\$ 63,143</u> | <u>\$ -</u> | <u>\$ 19,982,404</u> |

NOTE 5 LONG-TERM OBLIGATIONS

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

| | Balance at December 31, 2022 | Additions | Reductions | Balance at December 31, 2023 | Due Within One Year |
|---------------------------------|------------------------------------|-------------------|-------------|------------------------------------|---------------------------|
| Governmental Activities: | | | | | |
| Other Debts: | | | | | |
| Developer Advance - Operating | \$ 1,161,484 | \$ - | \$ - | \$ 1,161,484 | \$ - |
| Developer Advance - Capital | 1,114,065 | 63,143 | - | 1,177,208 | - |
| Accrued Interest on: | | | | | |
| Developer Advance - Operating | 773,882 | 91,132 | - | 865,014 | - |
| Developer Advance - Capital | 47,821 | 96,357 | - | 144,178 | - |
| Total Long-Term Obligations | <u>\$ 3,097,252</u> | <u>\$ 250,632</u> | <u>\$ -</u> | <u>\$ 3,347,884</u> | <u>\$ -</u> |

SECOND CREEK FARM METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Debt Authorization

The District authorized the incurrence of debt at elections held in 2002, 2005, and 2014 (the Elections). At December 31, 2023, the District has authorized but unissued indebtedness in the following amount allocated for the following purposes:

| | Debt Authorized | Authorization Used | Authorized But Unused |
|----------------------------------|-------------------------|-----------------------|-----------------------------|
| Street Improvements | \$ 143,539,171 | \$ - | \$ 143,539,171 |
| Park and Recreation Facilities | 145,870,144 | - | 145,870,144 |
| Water Supply | 142,670,360 | - | 142,670,360 |
| Sanitary Sewer | 141,920,323 | - | 141,920,323 |
| Transportation | 140,000,000 | - | 140,000,000 |
| Mosquito Control | 140,000,000 | - | 140,000,000 |
| Traffic and Safety Controls | 140,000,000 | - | 140,000,000 |
| Fire | 70,000,000 | - | 70,000,000 |
| Security | 70,000,000 | - | 70,000,000 |
| Television Relay and Translation | 140,000,000 | - | 140,000,000 |
| Operations and Maintenance | 72,050,000 | - | 72,050,000 |
| Refunding | 154,000,000 | - | 154,000,000 |
| Intergovernmental Agreements | 140,000,000 | - | 140,000,000 |
| Total | <u>\$ 1,640,049,998</u> | <u>\$ -</u> | <u>\$ 1,640,049,998</u> |

Per the Service Plan, the District is limited to issuing \$70,000,000 in debt. In addition, the maximum debt service mill levy for the District is 50.000 mills, as adjusted for changes in the ratio of actual value to assessed value of property within the District.

Facilities Funding and Acquisition Agreement

Effective December 1, 2016, the District and the Developer entered into a Facilities Funding and Acquisition Agreement. Pursuant to the Facilities Funding and Acquisition Agreement, the District acknowledged Developer has incurred organization expenses that are subject to reimbursement once the District issues bonds. In addition, the Developer has agreed to advance the District funds necessary to fund construction related expenses on a periodic basis for fiscal years 2017 through 2025. Estimated costs to complete construction are \$30,000,000. Advances made by the Developer shall accrue interest at 8.00% per annum from the Organization Date for organization expenses and from the date verified costs were incurred by the Developer for construction related expenses. Payments by the District to the Developer shall first be applied to unpaid interest and then to outstanding principal due. As of December 31, 2023, the outstanding balance due under this agreement is \$1,177,208 in principal and \$144,178 in accrued interest.

SECOND CREEK FARM METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Operation Funding Agreement

Effective January 1, 2017, and as amended on March 14, 2018 and October 30, 2018, the District and Developer entered into an Operation Funding Agreement. A Termination of the Operating Funding Agreement (Termination Agreement) was entered into on October 19, 2020 with an effective date of January 1, 2019. Per the Termination Agreement, any reimbursement for Outstanding Advances payable under the Operation Funding Agreement are directed to a separate Amended and Restated Operation Funding Agreement.

Amended and Restated Operation Funding Agreement

On October 19, 2020, and as amended on November 15, 2021, October 17, 2022, and November 27, 2023, with an effective date of December 1, 2016, the District and Developer entered into an Amended and Restated Operation Funding Agreement. Pursuant to the Amended and Restated Operation Funding Agreement, the Developer agreed to advance funds in 2017 through 2024 up to \$1,250,000 to the District to pay the operation and maintenance expenses of the District. The District agreed to exercise reasonable efforts to impose and collect its operations mill levy and to impose and collect its rates, fees, tolls, and charges set forth in the District's Service Plan until all amounts advanced to the District under this Agreement have been paid to the Developer. Advances made by the Developer shall accrue interest at 8.00% per annum and be paid on December 1 of each year to the extent the District has funds available from the imposition of its fees, rates, tolls, and charges from any other revenue legally available after the payment of its annual debt service obligations and annual administrative, operations, and maintenance expenses. Payment shall be applied first to interest then principal (a) first to the Developer for the prior advances; then (b) to Developer for the 2017 Operating Funding Agreement advances; and then (c) to the Developer Advance under the Amended and Restated Operating Funding Agreement. As of December 31, 2023, the outstanding balance due under this agreement is \$1,161,484 in principal and \$865,014 in accrued interest.

NOTE 6 RELATED PARTY

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

NOTE 7 ECONOMIC DEPENDENCY

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

SECOND CREEK FARM METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 8 AGREEMENTS

Facilities Funding, Construction, and Operations Agreement

Effective January 1, 2019, the District entered into an Amended and Restated Facilities Funding, Construction and Operations Agreement (FFCO) with District Nos. 2-4 (Consumer Districts) establishing certain obligations as to the financing, construction, operation, and maintenance of improvements as contemplated in the Service Plans for the purpose of providing essential services within the Districts in a timely and coordinated fashion.

Pursuant to the FFCO, the District is designated as the Service District and agrees to provide the following: (1) district operation and maintenance services (including, but not limited to, drafting proposals, supervising and ensuring contract compliance, procuring all inventory, providing operators supervision, and other service with respect to the operations and maintenance of the District); and (2) administration services (generally comprised of serving as the official custodian of the Districts, coordinating all District Board meetings, ongoing District maintenance and administration, budget preparation, and coordinating activities); and (3) project administration services (including drafting and reviewing proposals, site coordination, contractor scheduling, and oversight and review of construction activities).

The FFCO provides that the Consumer Districts agree to pay the Service District revenue from the imposition of a mill levy against all property within its respective boundaries and specific ownership taxes. All revenue received from the Consumer Districts will be transferred on a monthly basis to the Service District. Amounts outstanding with the Prior Developer from District Nos. 2, 3, and 4 were assigned and assumed by the District in furtherance of its role as the Service District under the FFCO.

On August 8, 2022, District Nos. 1-4 entered into that certain First Amendment to Amended and Restated Facilities Funding, Construction and Operations Agreement, effective July 14, 2022 (First FFCO Amendment). Thereunder, District Nos. 1-4 agreed that certain Public Improvements (as defined in the FFCO) may not benefit all of District Nos. 1-4 equally, and that they may enter into separate cost sharing agreements by and among themselves to address the funding of such Public Improvements. The First FFCO Amendment also permits that any of District Nos. 1-4 to be an Issuing District (as defined in the FFCO) solely to pay costs attributable to such Issuing District under a cost sharing agreement and that proceeds (if any) from Bonds may be utilized by such Issuing District to pay its obligations under such cost sharing agreements.

SECOND CREEK FARM METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 8 AGREEMENTS (CONTINUED)

Cost Sharing Intergovernmental Agreement

On August 8, 2022, District Nos. 1-4 entered into that certain Cost Sharing Intergovernmental Agreement, effective July 14, 2022 (Cost Sharing IGA). Thereunder, District Nos. 1-4 identified the District Shared Improvements (as defined therein), the allocation of costs thereof among District Nos. 1-4, and established the process by which the District Shared Improvements will be designed and constructed. The Cost Sharing IGA also established a process for reallocating and repaying costs related to the Initial Shared Improvements (as defined therein) that were paid for by certain the District Nos. 2/3 Bonds (as defined therein). Lastly, the Cost Sharing IGA established that generally, unless District Nos. 1-4 agree otherwise in writing, District No. 1 is to construct certain improvements and receive reimbursement from District Nos. 2-4 pursuant to the established cost allocation structure.

Joint Resolution Regarding Allocation and Acceptance of Project Costs

On August 8, 2022, District Nos. 1-4 approved that certain Joint Resolution Regarding Project Costs Pursuant to Amended and Restated Facilities Funding, Construction and Operations Agreement, Facilities Funding and Acquisition Agreement and Cost Sharing Intergovernmental Agreement (Project Cost Joint Resolution). Pursuant thereto, each of District Nos. 1-4 accepted, acknowledged, and otherwise authorized the allocation of certain costs by and among District Nos. 1-4 as set forth and established in the FFCOA, as amended, the Cost Sharing IGA, and other documents accepted, entered into, and or approved by District Nos. 1-4, as described in the Project Cost Joint Resolution, including, without limitation, certain cost verification reports of certain licensed independent cost verification engineers.

Cooperation and Reimbursement Agreement

On September 25, 2015, and as amended on August 30, 2019 and January 15, 2020, the District, District No. 3, the Developer, Stratus Buffalo Highlands (Stratus), LLC, Meritage Homes of Colorado Inc., Lennar Colorado LLC (Lennar), and LGI entered into an agreement (Cooperation Agreement) to share the costs to construct Telluride Street from East 88th Avenue to East 96th Avenue (Telluride Street Improvements). The term of the Cooperation Agreement shall extend to the date until the Sanitary Improvements and Storm Drainage Improvements have been constructed and accepted by the City and SACWSD and the cost reimbursement provision has been satisfied. If the District fails to pay any portion of the reimbursement when due, Stratus has the right to record a lien against property within the Second Creek Development. A portion of the Second Creek Development acquired by LGI was released from this lien as a result of the District setting money aside to pay for its portion of the Telluride Street Improvements.

SECOND CREEK FARM METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 8 AGREEMENTS (CONTINUED)

Cooperation and Reimbursement Agreement (Continued)

The Party that is required by the City to construct Telluride Street is entitled to recover 50% of construction costs from the other Party in this Cooperation Agreement. The reimbursement amount includes the Constructors hard, soft costs (not to exceed 7.00% of hard costs), and insurance costs made before final acceptance by the City. The reimbursement obligation shall accrue interest at 5.00% per annum from the date the improvements are initially accepted by the City and payable when the Reimbursing Party commences development. The District paid Lennar and Stratus, \$401,476 each related to these costs on January 30, 2020, representing one-half of the amount payable plus accrued interest for Completed Work under the Agreement.

The City also requires the construction of 93rd Avenue to 88th Avenue (Telluride Remaining Portion). The District and Stratus are to agree upon a good faith estimate plus a 25% contingency amount needed to construct the Telluride Remaining Portion. Once the remaining portion has been determined the District will deposit the balance in an account held in escrow. After the \$802,952 payment on January 30, 2020, the remaining Telluride funds totaled \$1,666,191 (Remaining Telluride Funds) and were transferred to an escrow account during 2020. In 2024, the Remaining Telluride Funds were released to Meritage from the escrow account.

The Cooperation Agreement also defines costs to construct a Waterline (Waterline Costs) that are reimbursable costs. The District agrees to deposit an amount equal to 125% of the Waterline Costs in an account held for escrow to be used to pay for the actual cost to construct the Waterline totaling \$93,111.

Agreement Regarding Payment Obligations

On September 5, 2019, and as amended on March 9, 2020, the District, District No. 3, the Developer, and LGI entered into an Agreement Regarding Payment Obligations whereby the District agreed to set aside \$2,494,527 in relation to the Districts agreement to reimburse certain costs associated with Telluride Street under the Cooperation and Reimbursement Agreement. The District agreed to acquire related improvements from the construction of the South Half of 88th Avenue and its connection to Telluride Street (88th Avenue Improvements) through the South Half 88th Avenue Facilities Funding and Acquisition Agreement.

Under the Agreement the District allocated and earmarked project funds from District No. 3's 2019 Bond issuance in the following order of priority, (1) Telluride Reimbursement (the District commits to set aside \$2,494,527), (2) 88th FFAA (the District commits to set aside \$729,649 for the cost of constructing the 88th Avenue Improvements), (3) Sanitary Stub and Grading Work and (4) Second Creek Funding Agreements (any obligations under the FFCO, Second Creek Funding Agreements and any other Agreement in such order).

As of December 31, 2023, District No. 3 has \$40,731 remaining that is earmarked related to this agreement.

SECOND CREEK FARM METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 8 AGREEMENTS (CONTINUED)

South Half of 88th Avenue Facilities Funding and Acquisition Agreement

On September 10, 2019, and as amended on March 6, 2020, the District, District No. 3, and LGI acknowledged that LGI intends to design, construct, and complete improvements required to develop the South Half of 88th Avenue (88th Avenue Improvements). In return, the District agreed to earmark and use a portion of District No. 3's Series 2019A Bond proceeds to pay for the construction of the 88th Avenue Improvements up to the amount of 115% of the preliminary construction costs (Maximum Reimbursement Amount). Estimated and earmarked construction costs related to the 88th Avenue Improvements total \$675,208. Upon final payment of the earmarked funds, the District shall acquire the 88th Avenue Improvements or elect that the 88th Avenue Improvements be conveyed directly to the City.

As of December 31, 2023, the District has \$0 remaining that is earmarked related to this agreement.

Facilities Fees

On April 14, 2021 the District adopted a Second Amended and Restated Facilities Fee Resolution, which imposes facilities fees (the Fees) due and payable upon issuance of a building permit to a buyer by the City or Adams County. The Fees, at the District's discretion, may be used for costs associated with capital improvements, operations and maintenance, and/or pledged for debt service payments. The Fees are \$2,500 per single family detached dwelling unit, \$1,500 per attached single-family attached dwelling unit, and \$0.30 per square foot of commercial land. During , the District did not collect any Fees.

NOTE 9 NET POSITION

The District has net position consisting of two components – net investment in capital assets and unrestricted.

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

The District has a deficit in unrestricted net position. The deficit is a result of the District recording and being responsible for project administration and District No. 3 being responsible for the repayment of bonds issued for such constructed public improvements.

SECOND CREEK FARM METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 10 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool (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 official's liability, and workers compensation coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

NOTE 11 TAX, SPENDING, AND DEBT LIMITATIONS

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

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

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3.00% 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. TABOR reserve is not provided when the District's ending fund balance is a deficit.

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.

At the Elections, 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 and also authorized the District to increase property taxes by up to \$2,000,000 annually.

SECOND CREEK FARM METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 12 SUSEQUENT EVENTS

Joint Resolution Regarding Allocation and Acceptance of Project Costs

Effective April 22, 2024, the District, District No. 3 and District No. 4, executed a joint resolution accepting an updated cost sharing report. Per the details of the resolution, District No. 4 authorized the repayment of verified allocated costs attributable to District No. 4 in an amount of District No. 4's obligation to the Service District under the FFCO and to the Districts under the Cost Sharing IGA, and in part, the obligations of the Service District to the Developer under the Facilities Funding Agreement.

District No. 4 also authorized an amount equal to the sum of District No. 4 unreimbursed costs shall constitute an additional principal draw on District No. 4 Bonds of \$1,635,518. District No. 1 and District No. 3 acknowledged the additional principal draw down satisfies District No. 4's obligations under the FFCO and Cost Sharing IGA. In addition, the Districts acknowledged that any portion of District No. 4 unreimbursed costs that have previously been paid by another District shall constitute a District No. 3 developer reimbursement reduction pursuant to the Cost Sharing IGA.

SUPPLEMENTARY INFORMATION

**SECOND CREEK FARM METROPOLITAN DISTRICT NO. 1
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2023**

| | Budget | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|-------------------|------------------|-------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Facilities Fees | \$ 600,000 | \$ - | \$ - | \$ - |
| Intergovernmental Revenues | 233,110 | - | - | - |
| Total Revenues | <u>833,110</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| EXPENDITURES | | | | |
| Engineering | - | 33,662 | 64,475 | (30,813) |
| Legal | - | - | 2,801 | (2,801) |
| Capital Outlay | - | 5,466,338 | 63,143 | 5,403,195 |
| Total Expenditures | <u>-</u> | <u>5,500,000</u> | <u>130,419</u> | <u>5,369,581</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 833,110 | (5,500,000) | (130,419) | 5,369,581 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Developer Advance | - | 5,500,000 | 63,143 | (5,436,857) |
| Repay Developer Advance | (660,525) | - | - | - |
| Transfers From Other Funds | - | 33,937 | 33,937 | - |
| Total Other Financing Sources (Uses) | <u>(660,525)</u> | <u>5,533,937</u> | <u>97,080</u> | <u>(5,436,857)</u> |
| NET CHANGE IN FUND BALANCE | 172,585 | 33,937 | (33,339) | (67,276) |
| Fund Balance - Beginning of Year | <u>651,027</u> | <u>57,674</u> | <u>57,674</u> | <u>-</u> |
| FUND BALANCE - END OF YEAR | <u>\$ 823,612</u> | <u>\$ 91,611</u> | <u>\$ 24,335</u> | <u>\$ (67,276)</u> |

OTHER INFORMATION

**SECOND CREEK FARM METROPOLITAN DISTRICT NO. 1
SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED
DECEMBER 31, 2023**

| Year Ended <u>December 31,</u> | Assessed Valuation | Total Mills Levied | | | Total Property Taxes | | Percent Collected to Levied |
|---|-----------------------|-----------------------|-----------------|--------|----------------------|-----------|-----------------------------------|
| | | General Operations | Debt Service | Total | Levied | Collected | |
| 2019 | \$ 3,380 | 0.000 | 0.000 | \$ - | \$ - | \$ - | - % |
| 2020 | 12,210 | 11.132 | 0.000 | 11.132 | 136 | - | - % |
| 2021 | 7,560 | 11.132 | 0.000 | 11.132 | 84 | - | - % |
| 2022 | 44,090 | 11.132 | 0.000 | 11.132 | 491 | - | - % |
| 2023 | 1,133,070 | 11.133 | 0.000 | 11.133 | 12,614 | - | - % |
| Estimated for Year Ending December 31, 2024 | \$ 1,582,220 | 11.571 | 0.000 | | \$ 18,308 | | |

NOTE:

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