Second Creek Farm
Metropolitan District No 2

COMMERCE CITY, COLORADO

ANNUAL FINANCIAL STATEMENTS

December 31, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Second Creek Farm Metropolitan District No. 2

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Second Creek Farm Metropolitan District No. 2 as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Second Creek Farm Metropolitan District No. 2's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Second Creek Farm Metropolitan District No. 2 as of December 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Second Creek Farm Metropolitan District No. 2 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 Second Creek Farm Metropolitan District No. 2's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Second Creek Farm Metropolitan District No. 2'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 Second Creek Farm Metropolitan District No. 2'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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Second Creek Farm Metropolitan District No. 2's basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are 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 combining and individual non-major fund financial statements are 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 comprises the introductory and statistical sections but 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.

B F Borgers CPA PC

BF Borgers CPA PC

Lakewood, Colorado

September 28, 2023

SECOND CREEK FARM METROPOLITAN DISTRICT NO. 2
STATEMENT OF NET POSITION
December 31, 2022

		Governmental Activities
ASSETS		
Cash and investments	$	3,334
Cash and investments – restricted		16,747
Specific ownership tax receivable		1,691
Property taxes receivable		410,777
Prepaid expenses		-
Total Assets		**432,549**
LIABILITIES		
Accounts payable and accrued liabilities		-
Total Liabilities		**-**
DEFERRED INFLOWS OF RESOURCES		
Deferred property tax revenue		410,777
NET POSITION (DEFICIT)		
Restricted:		
Emergency reserves		3,241
Debt service		18,156
Non-spendable		-
Unassigned:		(1,873)
Net Position (Deficit)	**$**	**19,524**

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

SECOND CREEK FARM METROPOLITAN DISTRICT NO. 2
STATEMENT OF ACTIVITIES
For the 12-Month Period Ended
December 31, 2022

		Program Revenue			Net (Expense) Revenue and Changes in Net Position
Functions/Programs	**Expenses**	**Charges For Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**
Primary Government:					
Government Activities:					
General government activities	$ (47,850)		$ -	$ -	$ (47,850)
Interest and related costs on long-term debt	(239,194)	-		-	(239,194)
Capital project activities		-	-	-	-
	$ (287,044)	$ -	$ -	$ -	(287,044)
General Revenues					
Property taxes					287,070
Specific ownership taxes					19,418
Net investment income					80
Total general revenue					306,568
Change in net position					19,524
Net Position (Deficit) – Beginning of Year					-
Net Position (Deficit) – End of Year					**$ 19,524**

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

SECOND CREEK FARM METROPOLITAN DISTRICT NO. 2
BALANCE SHEET – GOVERNMENTAL FUNDS
December 31, 2022

	General Fund	Debt Service Fund	Total Government Funds
ASSETS			
Cash and investments	$ 3,334	$ -	$ 3,334
Cash and investments - Restricted	-	16,747	16,747
Specific ownership taxes receivable	282	1,409	1,691
Property taxes receivable	69,855	340,922	410,777
Prepaid expenses	-	-	-
TOTAL ASSETS	**73,471**	**359,078**	**432,549**
LIABILITIES			
Accounts payable and accrued liabilities	-	-	-
DEFERRED INFLOWS OF RESOURCES			
Deferred property tax revenue	69,855	340,922	410,777
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	69,855	340,922	410,777
FUND BALANCES			
Restricted:			
Emergencies (TABOR)	3,241	-	3,241
Debt service	-	18,156	18,156
Non-spendable	-	-	-
Unrestricted	375	-	375
Total Fund Balances	3,616	18,156	21,772
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	**$ 73,471**	**$ 359,078**	

Amounts reported for governmental activities in the statement of net position are different because:	
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:	
Bonds payable	-
Accrued interest payable	-
Deferred loss on bond refinancing	-
Net position of governmental activities	**$ 21,772**

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

SECOND CREEK FARM METROPOLITAN DISTRICT NO. 2
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
12-Month Period Ended
December 31, 2022

	General Fund	Debt Service Fund	Total Government Funds
REVENUES			
Property taxes	$ 47,842	$ 239,228	$ 287,070
Specific ownership taxes	3,236	16,182	19,418
Net investment income	13	67	80
Total Revenues	**51,091**	**255,477**	**306,568**
EXPENDITURES			
Direct and indirect collection expenses	47,850	3,588	51,438
Transfers to Second Creek Farm MD3 under Capital Pledge Agreement	-	235,606	235,606
Total Expenditures	47,850	239,194	287,044
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	3,241	16,283	19,524
OTHER FINANCING SOURCES (USES)			
Fund Transfers In / (Out)	-	-	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES	3,241	16,283	19,524
FIND BALANCES – BEGINNING	-	-	-
FUND BALANCES – END OF YEAR	$ 3,241	$ 16,283	$ 19,524

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

SECOND CREEK FARM METROPOLITAN DISTRICT NO. 2
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
12-Month Period Ended
December 31, 2022

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances – Total government funds	$	19,524
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.		
Changes in net position of governmental activities	**$**	**19,524**

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

SECOND CREEK FARM METROPOLITAN DISTRICT NO. 2
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
12-Month Period Ended
December 31, 2022

	Original Budget	Actual Amounts	Positive / (Negative) Variance with Original Budget
REVENUES			
Property taxes	$ 47,818	$ 47,842	$ 24
Specific ownership taxes	3,347	3,236	(111)
Net investment income	-	13	13
Other income	2,000	-	(2,000)
Total Revenues	53,165	51,091	(2,074)
EXPENDITURES			
Direct and indirect collection expenses	53,165	47,850	5,315
Total Expenditures	53,165	47,850	5,315
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	3,241	3,241
OTHER FINANCING SOURCES (USES)			
Transfers in (out)	-	-	-
Total Other Financing Sources (Uses)	-	-	-
EXCESS OF REVENUES AND OTHER FINANCIAL SOURCES OVER	-	3,241	3,241
FUND BALANCE – BEGINNING OF YEAR	-	-	-
FUND BALANCE – END OF YEAR	**$ -**	**$ 3,241**	**$ 3,241**

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

SECOND CREEK FARM METROPOLITAN DISTRICT NO. 2
GENERAL FUND
EXPENDITURE DETAILS - BUDGET AND ACTUAL
12-Month Period Ended
December 31, 2022

	Original Budget	Actual Amounts	Positive / (Negative) Variance with Original Budget
DIRECT AND INDIRECT COLLECTION EXPENSES			
District management and accounting fees	$ 23,282	$ 21,912	$ 1,370
Administrative costs	275	350	(75)
Audit fees	5,000	4,900	100
Collection fees – County Treasurer	717	717	-
Board of Directors' fees	-	-	-
Board training and conferences	-	-	-
Election services	-	-	-
Insurance	3,000	3,000	-
Legal fees	20,891	16,971	3,920
Indirect collection cost allocation	-	-	-
Miscellaneous costs	-	-	-
Total Direct and Indirect Collection Expenses	**$ 53,165**	**$ 47,850**	**$ 5,315**

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

NOTE 1 – DEFINITION OF REPORTING ENTITY

Second Creek Farm Metropolitan District No. 2 (District), a quasi-municipal corporation and political subdivision of the State of Colorado, was organized by order of the District Court in and for Adams County on November 21, 2002, as a quasi-municipal corporation and political subdivision of the State of Colorado and is governed by an elected Board of Directors.

The District operates under a service plan approved by the City of Commerce City (City) on September 16, 2002 as amended with City approval on September 19, 2005. The District's service area is located in Commerce City, Colorado and is currently comprised of 412 single family home Lots within the Second Creek Farm Filing No 1 and Filing No 2 subdivisions. The District was established to provide financing for the design, acquisition, construction and installation of various public improvements within and without the District boundaries that benefit the taxpayers and inhabitants of the District. The District was also created to provide certain essential public-purpose facilities and public services for the use and benefit of all anticipated residents and taxpayers of real property located within the boundaries of the District.

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 organizations 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 organizations governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies of the District are as follows:

Government-wide and Fund Financial Statements

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

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

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) 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.

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

The District reports the following major governmental funds:

> The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
>
> The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of the governmental funds.

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

Budgets

In accordance with the State Budget Law, the District’s Board of Directors holds public hearings in the fall each year to approve the budget and appropriate 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. On October 18, 2021, the Board adopted the District’s 2022 budget.

Pooled Cash and Investments

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

Investments are carried at fair value.

Property Taxes

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

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

Specific Ownership Taxes

Beginning in 1937, the State of Colorado began assessing a tax annually on motor vehicles (aka Specific Ownership Tax). The Specific Ownership Tax is graduated based on a vehicle's age and original value. Specific Ownership Tax revenue collected by the State is apportioned among the 64 counties based on the number of state highway miles within each county. Each county allocates its respective share of specific ownership tax revenue proportionally among the various property-taxing governmental entities on the basis of total property taxes assessed by each entity in relation to total property taxes assessed by all entities within the County. In 2022, the District's share of Specific ownership taxes was equal to approximately 7.0% of the property taxes collected.

Specific ownership tax is allocated proportionally between each fund based on the ratio of property tax revenue collected for each fund compared to total property revenue collected by the District.

Deferred Outflows of Resources and Deferred Inflows of Resources

A deferred inflow of resources is an acquisition of net position by a government that is applicable to a future reporting period and a deferred outflow of resources is a consumption of net position by a government that is applicable to a future reporting period. Both deferred inflows and outflows are reported in the statement of net position but are not recognized in the financial statement as revenues and expenses until the period(s) to which they relate. Deferred inflows of resources in the governmental fund financial statements of the District for the 12-month period ended December 31, 2022 are comprised of property taxes due from Adams County that will not be collected within 60 days of the end of the current calendar year. Deferred inflows of resources in the government-wide financial statements represents property taxes for which an enforceable legal claim to assets exists, but for which the levy pertains to the subsequent year.

Equity

Net Position

For government-wide presentation purposes when both restricted and unrestricted resources are available for use, it is the government'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: non-spendable, 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:

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

- ***Restricted fund balance*** – The portion of a 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 a 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 a 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 a fund balance that does not meet any of the criteria described above.

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

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	$	2,964
Cash and investments – restricted		14,897
Total cash and investments	**$**	**17,861**

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

Deposits with financial institutions	$	-
Investments		17,861
Total cash and investments	**$**	**17,861**

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.

As of December 31, 2022, the District had a bank balance of $0 and a carrying balance of $0.

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 listed 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 disclosure requirements or subject to 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.

Revenue bonds of local government securities, corporate and bank securities, and guaranteed investment contracts not purchased with bond proceeds, are limited to maturities of three years or less.

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

As of December 31, 2022, the District's investments were comprised of the following:

Investment	Maturity	Amortized Cost	
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted average under 60 days	$	17,861
	Total	**$**	**17,861**

CSAFE

The District holds investments in the Colorado Surplus Asset Fund Trust (CSAFE), 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 CSAFE. CSAFE operates similarly to a money market fund and each share is equal in value to $1.00. CSAFE may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain money market funds and highest rated commercial paper. CSAFE measures its investments at amortized cost, which value is not materially different (less than 0.005% difference) than the fair value measurement of such investments. There are no unfunded commitments, the redemption frequency is daily, and there is no redemption period notice. 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. No limitations exist on the District's ability to withdraw funds invested in CSAFE. CSAFE is rated AAAm by Standard & Poor's.

NOTE 4 – PUBLIC FACILITIES

The District does not own any public facilities or capital assets. All parks and open spaces within the District are privately owned by either the Developer or the Second Creek Farm 2 Homeowners Association, Inc (HOA).

NOTE 5 – LONG-TERM DEBT

The District has not issued any general obligation bonds.

Debt Authorization – TABOR

On November 5, 2002, the District's ten electors (all of whom were employees or spouses of employees of and qualified to vote by the owner of all land within the District at that time) unanimously voted to authorize the District to issue debt at net effective interest rates not to exceed 18% per annum in amounts not totaling more than $17.4 million to fund infrastructure improvements, $50,000 to fund the District's operations and maintenance costs and $17.4 million to refund any outstanding debt.

On November 01, 2005, the District's seven electors (all of whom were employees or spouses of employees of and qualified to vote by the owner of all land within the District at that time) unanimously voted to authorize the District to issue debt – in addition to the November 5, 2002 debt authorization amounts - at net effective interest rates not to exceed 18% per annum in amounts not totaling more than $630 million to fund infrastructure improvements, $2 million to fund the District's operations and maintenance costs and $70 million to refund any outstanding debt.

On May 06, 2014, the District's two electors (all of whom were employees or spouses of employees of and qualified to vote by the owner of all land within the District at that time) unanimously voted to authorize the District to issue debt – in addition to the November 5, 2002 and November 01, 2005 debt authorization amounts - at net effective interest rates not to exceed 18% per annum in amounts not totaling more than $770 million to fund infrastructure improvements, $70 million to fund the District's operations and maintenance costs and $70 million to refund any outstanding debt.

The District's authorized but unissued indebtedness in the following amounts allocated for the following purposes is as follows:

	Authorized Nov. 2002 Election	**Authorized Nov. 2005 Election**	**Authorized May 2014 Election**	**Total Voter Authorized Borrowing Power**
Street improvements	$ 7,850,235	$ 70,000,000	$ 70,000,000	$ 147,850,235
Water	2,960,145	70,000,000	70,000,000	142,960,145
Storm water and sanitary sewers	2,380,281	70,000,000	70,000,000	142,380,281
Park & recreation facilities	4,209,337	70,000,000	70,000,000	144,209,337
Transportation facilities	-	70,000,000	70,000,000	140,000,000
Fire protection	-	-	70,000,000	70,000,000
Television relay	-	70,000,000	70,000,000	140,000,000
Mosquito control	-	70,000,000	70,000,000	140,000,000
Traffic and safety controls	-	70,000,000	70,000,000	140,000,000
Security facilities and equipment	-	-	70,000,000	70,000,000
Operations	50,000	2,000,000	70,000,000	72,050,000
Intergovernmental agreements	-	70,000,000	70,000,000	140,000,000
Subtotal	**17,449,998**	**632,000,000**	**840,000,000**	**1,489,449,998**
Refunding of debt	17,400,000	70,000,000	70,000,000	157,400,000
Total	**$ 34,849,998**	**$ 702,000,000**	**$910,000,000**	**$ 1,646,849,998**

	Total Voter Authorized Borrowing Power	**Authorized Used**	**Authorized Expired/Revoked**	**Total Remaining Voter Authorized Borrowing Power**
Street improvements	$ 147,850,235	$ -	($ 7,850,235)	$ 140,000,000
Water	142,960,145	-	(2,960,145)	140,000,000
Storm water and sanitary sewers	142,380,281	-	(2,380,281)	140,000,000
Park & recreation facilities	144,209,337	-	(4,209,337)	140,000,000
Transportation facilities	140,000,000	-	-	140,000,000
Fire protection	70,000,000	-	-	70,000,000
Television relay	140,000,000	-	-	140,000,000
Mosquito control	140,000,000	-	-	140,000,000
Traffic and safety controls	140,000,000	-	-	140,000,000
Security facilities and equipment	70,000,000	-	-	70,000,000
Operations	72,050,000	-	(50,000)	72,000,000
Intergovernmental agreements	140,000,000	(236,729)	-	139,763,271
Subtotal	**1,489,449,998**	**(236,729)**	**(17,449,998)**	**1,471,763,271**
Refunding of debt	157,400,000	-	(17,400,000)	140,000,000
Total	**$ 1,646,849,998**	**($ 236,729)**	**($34,849,998)**	**$ 1,611,763,271**

Per C.R.S 32-1-1101(2), unused debt issuance authorization obtained from the District's electors in November 2005 (totaling $701,763,271) and May 2014 (totaling $910,000,000) will expire in November 2025 and May 2034, respectively - 20 years after the original debt authorization election.

Debt Authorization – Service Plan

The District's Amended and Restated Service Plan authorizes the District to issue up to $70 million in bonds, notes, contracts, reimbursement agreements or other obligations evidencing or securing a borrowing as are permitted by law and establishes a Maximum Mill Levy, subject to certain conditions and restrictions, the District is permitted to impose on taxable property within the District for the payment of debt. The Maximum Debt Mill Levy is 50 mills, as adjusted by the State of Colorado for changes in the ratio of taxable valuation to assessed valuation of real property since September 19, 2005 – at which time, the ratio was 7.96%. The ratio for the 2022 collection year was 7.15%, which causes the District's Maximum Debt Mill Levy for debt service for 2022 to be 55.664.

As of December 31, 2022, total remaining debt issuance authorization under the District's Amended and Restated Service Plan is as follows:

Authorized maximum debt issuance per Service Plan	$	70,000,000
Less:		
2019 Capital Pledge Agreement w SCFMD3 (as amended and restated in August 2022)	(	236,729)
Unused, authorized debt issuance	**$**	**69,763,271**

NOTE 6 – NET POSITION (DEFICIT)

Restricted Net Position

The District's restricted net position as of December 31, 2022 in the general fund and debt service fund totaled $3,241 and $16,283, respectively. The restricted net position within the general fund is due to spending restrictions established by TABOR. See Note 10 for further details. The restricted net position within the debt service fund is comprised of funds that are pledged under the Capital Pledge Agreement to SCFMD3's 2018 Bond debt.

Non-Spendable Net Position

The District's non-spendable net position as of December 31, 2022 in the general fund, special revenue fund, debt service fund and capital project fund totaled $0 and $0, respectively.

Unassigned Net Position

The District's unassigned net position as of December 31, 2022 totaled $0.

NOTE 7 – CONTRACTUAL AGREEMENTS

Facilities Funding, Construction and Operations Agreement with SCFMD1, SCFMD3 and SCFMD4

On July 15, 2019, the District entered into an Amended and Restated Facilities Funding, Construction and Operations Intergovernmental Agreement ("Master IGA") with Second Creek Farm Metropolitan District No 1 (SCFMD1), Second Creek Farm Metropolitan District No 3 (SCFMD3) and Second Creek Farm Metropolitan District No 4 (SCFMD4) (collectively, the District, SCFMD3 and SCFMD4 are referred to as the "Consumer Districts") whereby SCFMD1 (the

Service District) agreed to provide to the Consumer Districts (1) all on-going administrative services necessary to operate the Consumer Districts, (2) all on-going operation and maintenance services necessary to operate any public parks and open spaces located within the Consumer Districts and (3) all construction management and financing services related to the development of public infrastructure within and without the Consumer Districts.

The Master IGA may be terminated by the District upon providing one year's notice to the Service District and to SCFMD3 and SCFMD4. (See also Note 11 – Subsequent Events)

Operations and Administrative Services: Per the Master IGA, the District agrees to cooperate and coordinate with the Service District regarding (1) the drafting of the Service District's preliminary annual budget and (2) establishing an operating mill levy sufficient to cover the District's portion of administrative and operating costs incurred by the Service District. If one or more of the Consumer Districts cannot reach an agreement with the Service District regarding the total amount of funds to be appropriated by the Service District for the budget year, the Service District will then default to the amount appropriated per the Service District's 2019 annual budget, adjusted for inflation.

Revenue received monthly from the County Treasurer by the District under the District's operations and maintenance mill levy is to be remitted monthly to the Service District.

For the 12-month period ended December 31, 2022, all parks and open spaces within the District were privately owned by either the Developer or the HOA. Thus, the Service District provided no on-going public services to the District or its property owners in 2022 and the District remitted no funds to the Service District in 2022 to fund such public services. However, the District reimbursed the Service District $47,133 in 2022 for District administrative bills paid by the Service District on behalf of the District.

Public Infrastructure Construction Services: The Service District will, on behalf of the Consumer Districts, contract for and supervise the construction and acquisition of, or otherwise acquire, public infrastructure in such manner as the Service District shall reasonably determine to be in the best interests of the Consumer Districts. Per the Master IGA, public infrastructure costs incurred by the Service District on behalf of the District represents a multiple fiscal year financial obligation of the District payable to the Service District from the maximum allowed debt mill levy as established per the District's service plan. Such obligation is subordinate to any debt mill levy funds pledged by the District to SCFMD3 under the Capital Pledge Agreement (described below). As of December 31, 2022, the Service District reported unreimbursed Actual Capital Costs (as defined in the Master IGA) incurred by the Service District and due from the District is $41,473 and related accrued, unpaid interest on such balance is $2,873.

Per SCFMD3's Series 2019 Bond offering document issued to public investors on October 23, 2019, the Capital Pledge Agreement (described below) constituted the District's only general obligation indebtedness. Cumulative Actual Capital Costs (as defined in the Master IGA) incurred by the Service District under the Master IGA through October 23, 2019 on behalf of the District were not recognized and reported in SCFMD3's Series 2019 bond offering document as general obligation indebtedness of the District.

On August 08, 2022, the Service District and the Consumer Districts amended the Master IGA to allow any of the Consumer Districts to enter into separate cost-sharing agreements among some or all of the Consumer Districts to hire an independent engineering firm to determine the allocation among the Consumer Districts of public infrastructure construction costs incurred by the Service District.

Capital Pledge Agreement w Second Creek Farm Metropolitan District No 3 (SCFMD3)

On October 23, 2019, the District entered into a Capital Pledge Agreement with SCFMD3, and SCFMD3 issued its Series 2019 Senior Bonds and Subordinate Bonds (described below). On November 23, 2021, the District entered into an Amended and Restated Capital Pledge Agreement with SCFMD3, and SCFMD3 issued its Series 2021 Junior Lien

Bonds to the Developer (described below). The Amended and Restated Capital Pledge Agreement amended, restated, superseded and replaced in its entirety the Capital Pledge Agreement. On August 11, 2022, the District entered into a Second Amended and Restated Capital Pledge Agreement (AR2CPA) with SCFMD3, and SCFMD3 issued its Series 2022D Junior Subordinate Lien Bonds to the Developer (described below). The AR2CPA amended, restated, superseded and replaced in its entirety the Amended and Restated Capital Pledge Agreement.

Per the AR2CPA, the District agreed to transfer all Capital Revenue (as defined below) collected by the District to SCFMD3 for the purpose of paying and securing bonds and other obligations issued by SCFMD3 for the purpose of reimbursing the Developer for constructing and installing public infrastructure within and without the boundaries of the Service District, the District, SCFMD3 and SCFMD4. Capital Revenue is comprised of ad valorem taxes generated from 50 mills, as adjusted by the State of Colorado for changes in the ratio of taxable valuation to assessed valuation of real property after September 19, 2005. As of September 19, 2005, the ratio was 7.96%. The ratio for 2022 was 7.15%, which caused the Capital Revenue Mill Levy for 2022 to be 55.664. Capital Revenue also includes all specific ownership tax revenue allocable to the ad valorem tax mill levy.

The AR2CPA terminates upon the date when any indebtedness of SCFMD3 is no longer due and outstanding.

Multiple Fiscal Year Obligation: Per the terms of the AR2CPA, the on-going obligation of District to (i) to certify and impose the Capital Mill Levy and enforce the collection of the ad valorem property taxes derived therefrom; (ii) to enforce collection of the other Capital Revenue; and (iii) to pay the Capital Revenue to SCFMD3 constitutes a multiple fiscal year financial obligation of the District within the meaning of Article X, Section 20 of the Colorado Constitution.

Debt Authorization and Allocation: The District determined that the indebtedness represented by the AR2CPA shall be allocated to the category of indebtedness approved by the District's voters in the May 2014 TABOR election entitled "Intergovernmental Agreements" as set forth in Ballot Issue 5R. The District has further determined the amount of indebtedness to be allocated to voter-authorized indebtedness shall be equal to the total amount of Capital Revenue actually collected by the District and paid to SCFMD3. As of December 31, 2022, total Capital Revenue remitted by the District to SCFMD2 under the AR2CPA and all subsequent superseding agreements is $236,729.

In no event shall the total or annual obligations of the District under the AR2CPA exceed the maximum amounts authorized by the District's voters. Upon payment by the District to SCFMD3 of the maximum amounts authorized by the District's voters, the obligations of the District under the AR2CPA will be defeased and no longer outstanding.

SCFMD3 Series 2019 Senior and Subordinate Bonds: SCFMD3's Series 2019A Senior Bonds, Series 2019B Subordinate Bonds and Series 2021C Junior Lien Bonds are partly secured by revenue pledged by SCFMD3 received from the District under the Capital Pledge Agreement.

On October 23, 2019, SCFMD3 issued General Obligation (limited tax convertible to unlimited tax) Bonds, Series 2019A in the amount of $18,715,000. The Senior Bonds were issued as two term bonds that bear interest at 5.000% and are payable semi-annually on June 1 and December 1, beginning on December 1, 2019. Annual mandatory sinking fund principal payments are due on December 1, beginning on December 1, 2021. The Senior Bonds mature on December 1, 2049. The Senior Bonds are subject to redemption prior to maturity, at the option of the District on December 1, 2024, and on any date thereafter, upon payment of par, accrued interest, and prior to November 30, 2027, a redemption premium of between 1% and 3% of the face value of the bonds redeemed.

On October 23, 2019, SCFMD3 issued Subordinate General Obligation Limited Tax Bonds, Series 2019B in the amount of $1,696,000. The Subordinate Bonds were issued at the rate of 7.625% per annum and are payable annually on December 15, beginning December 15, 2019, from, and to the extent of, Subordinate Pledged Revenue available, if any, and mature on December 15, 2049. The Subordinate Bonds are structured as cash flow bonds meaning that there are no scheduled payments of principal or interest prior to the final maturity date. Unpaid interest on the Subordinate Bonds compounds annually on each December 15. In the event any amounts due and owing on the Subordinate Bonds remain outstanding on December 15, 2059, such amounts shall be deemed discharged and shall no longer be due and outstanding.

SCFMD3 Series 2021 Junior Lien Bonds: On November 23, 2021, SCFMD3 issued the 2021C Junior Lien Bonds to the Developer in the par amount of $8,288,000. The 2021C Junior Lien Bonds are structured as cash flow bonds, bear interest at the rate of 7.625% per annum and are payable annually on each December 15, beginning on December 15, 2021, from and to the extent of available Junior Lien Pledged Revenue. The 2021C Junior Lien Bonds mature on December 15, 2052 and are subject to redemption prior to maturity beginning on December 01, 2024 subject to a redemption premium. The Bonds may be redeemed without redemption premium beginning December 01, 2027. Any unpaid principal and accrued, unpaid interest on the 2021C Junior Lien Bonds will be discharged on December 16, 2062, regardless of the amount of principal and interest paid prior to that date.

SCFMD3 Series 2022 Junior Subordinate Lien Bonds: On August 11, 2022, SCFMD3 issued the 2022D Junior Subordinate Lien Bonds to the Developer in the par amount of $3,055,000. The 2022D Junior Subordinate Lien Bonds are structured as cash flow bonds, bear interest at the rate of 7.00% per annum and are payable annually on each December 15, beginning on December 15, 2022, from and to the extent of available Junior Lien Pledged Revenue. The 2022D Junior Subordinate Lien Bonds mature on December 15, 2052 and are subject to redemption prior to maturity beginning on December 01, 2024 subject to a redemption premium. The Bonds may be redeemed without redemption premium beginning December 01, 2027. Any unpaid principal and accrued, unpaid interest on the 2022D Junior Subordinate Lien Bonds will be discharged on December 15, 2062, regardless of the amount of principal and interest paid prior to that date.

SCFMD3 Series 2019 Senior and Subordinate Bonds Indenture of Trust: The occurrence of an "Event of Non-Compliance" by the District under the Capital Pledge Agreement does not constitute a "Event of Default" per SCFMD3's Series 2019 Senior and Subordinate Bonds' Indentures of Trust, even if such Event of Non-Compliance causes SCFMD3 to be unable to pay the current amounts due on its Series 2019 Bonds. The Capital Pledge Agreement provides that upon the occurrence and continuance of an Event of Non-Compliance, any party may proceed to protect and enforce its rights against the party or parties causing such Event of Non-Compliance by mandamus or such other suit, action or special proceedings in equity or at law, in any court of competent jurisdiction, including an action for specific performance. The Senior Indenture Trustee and the Subordinate Indenture Trustee for SCFMD3's Series 2019 Bonds are third party beneficiaries of the Capital Pledge Agreement for the benefit of the Owners of SCFMD3's Series 2019 Bonds, but solely with respect to the District's Payment Obligation (as defined in the Capital Pledge Agreement) and the obligation of the District to impose, collect and enforce the collection of the Senior Capital Revenue and Subordinate Capital Revenue as provided in the Capital Pledge Agreement.

Cost Sharing Agreement with SCFMD1, SCFMD3 and SCFMD4

On August 8, 2022, the District entered into a Cost Sharing Intergovernmental Agreement with the Service District, SCFMD3 and SCFMD4, 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 financed from bonds issued by District No 3. Lastly, the Cost Sharing IGA establishes that generally, unless District Nos. 1-4 agree otherwise in writing, the Service District is to construct certain improvements and receive reimbursement from District Nos. 2-4 pursuant to the established cost allocation structure.

On August 12, 2022, the District, the Service District, SCFMD3 and SCFMD4 approved a 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 cost verification engineers.

NOTE 8 – RELATED PARTIES

Second Creek Holdings, LLC (Developer) is the developer of all land within the District, SCFMD1, SCFMD3 and SCFMD4. The Developer has platted 904 single family home lots within the District and within SCFMD3 and sold off such home lots to third-party builders – LGI Homes-Colorado, LLC and Richmond American Homes of Colorado, Inc.

District's Board Comprised Entirely of Conflicted Directors

For the 12-month period ended December 31, 2022:

- the District's board was comprised of four directors – all of whom reported conflicts of interest regarding their service on the Board.
- all directors serving on the SCFMD1 board were comprised of the same directors that served on the District's board.
- all directors serving on the SCFMD3 board were comprised of the same directors that served on the District's board.
- Three of five directors serving on the SCFMD4 board were comprised of the same directors that served on the District's board.

The directors serving on the District's board were comprised of the following individuals:

- an owner of JF Companies, LLC (formerly known as Gateway American Properties, LLC) and the Developer.
- an employee of JF Companies, LLC
- an employee of a contractor that provides services to the Developer and other companies affiliated with the Developer
- a contractor who provides legal advisory services to the Developer and/or companies affiliated with the Developer

To qualify themselves to serve as directors on the District's board, all directors relied on land purchase contracts they entered into with the Developer. Per these land purchase option contracts, the Developer had unilateral authority to cancel these purchase option contracts at any time to disqualify such directors from continuing to serve on the Board.

Material Agreements Ratified by Parties Controlled by Same Individuals

At the time the Capital Pledge Agreement was ratified by the District and SCFMD3 in October 2019 and subsequently amended and restated in August 2022, all directors serving on the District's board were the same individuals serving on the SCFMD3 board. For the 12-month period ended December 31, 2022, the District transferred $235,606 to SCFMD3 under the Capital Pledge Agreement. Cumulatively since the inception of the Capital Pledge Agreement through December 31, 2022, the District has transferred $236,729 to SCFMD3.

At the time the Cost Sharing IGA was ratified by the District, SCFMD1, SCFMD3 and SCFMD4 in August 2022, all directors serving on the District's board were the same individuals serving on the SCFMD1 board and the SCFMD3 board and three directors serving on the District's board were the same individuals serving on the SCFMD4 board.

At the time the Master IGA was ratified by the District, SCFMD1, SCFMD3 and SCFMD4 in July 2019, all directors serving on the District's board were the same individuals serving on the SCFMD1, SCFMD3 and SCFMD4 boards. At the time the Master IGA was amended by the District, SCFMD1, SCFMD3 and SCFMD4 in July 2022, all directors serving on the District's board were the same individuals serving on the SCFMD1 and SCFMD3 boards and three directors serving on the District's board were the same individuals serving on the SCFMD4 board. For the 12-month period ended December 31, 2022, the District transferred $47,133 to SCFMD1 under the Master IGA. Cumulatively since the inception of the Master IGA through December 31, 2022, the District has transferred $47,719 to SCFMD1.

SCFMD3 Related Party Transactions

On November 23, 2021, SCFMD3 issued the 2021C Junior Lien Bonds to the Developer in the par amount of $8,288,000. The 2021C Junior Lien Bonds are structured as cash flow bonds, bear interest at the rate of 7.625% per annum and are payable annually on each December 15, beginning on December 15, 2021, from and to the extent of available Junior Lien Pledged Revenue. The 2021C Junior Lien Bonds mature on December 15, 2052. The 2021C Junior Lien Bonds are subject to redemption prior to maturity beginning on December 01, 2024 subject to a redemption premium. The Bonds may be redeemed without redemption premium beginning December 01, 2027. Any unpaid principal and accrued, unpaid interest on the 2021C Junior Lien Bonds will be discharged on December 16, 2062, regardless of the amount of principal and interest paid prior to that date.

On August 11, 2022, SCFMD3 issued the 2022D Junior Subordinate Lien Bonds to the Developer in the par amount of $3,055,000. The 2022D Junior Subordinate Lien Bonds are structured as cash flow bonds, bear interest at the rate of 7.00% per annum and are payable annually on each December 15, beginning on December 15, 2022, from and to the extent of available Junior Lien Pledged Revenue. The 2022D Junior Subordinate Lien Bonds mature on December 15, 2052 and are subject to redemption prior to maturity beginning on December 01, 2024 subject to a redemption premium. The Bonds may be redeemed without redemption premium beginning December 01, 2027. Any unpaid principal and accrued, unpaid interest on the 2022D Junior Subordinate Lien Bonds will be discharged on December 15, 2062, regardless of the amount of principal and interest paid prior to that date.

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, 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—referred to as the Taxpayer's Bill of Rights (TABOR)—contains tax, spending, revenue and debt limitations which apply to the State of Colorado and all local governments.

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

On November 01, 2005 and on May 06, 2014, the District submitted TABOR ballot issue 5B and 5C, respectively, requesting the voters authorize in perpetuity the District to (1) enter into one or more agreements with any other government or private entities for any purpose and (2) fund such agreements from up to $2,000,000 annually in property taxes levied by the Board of Directors of the District and seven voters and two voters, respectively, unanimously voted in favor of these ballot issues.

On November 01, 2005 and on May 06, 2014, the District submitted TABOR ballot issue 5O and 5S, respectively, requesting the voters authorize in perpetuity the District to (1) enter into one or more agreements, which may constitute multiple-fiscal year obligations of the District, with any other government entities for the purpose of funding any public improvements, facilities, systems or projects and (2) fund such agreements from property taxes, fees, rates, tolls, penalties or other charges as determined by the Board of Directors of the District and seven voters and two voters, respectively, unanimously voted in favor of these ballot issues.

On November 01, 2005 and again on May 06, 2014, the District submitted a TABOR ballot issue (Ballot Issue 5P and Ballot Issue 5T, respectively) requesting the voters authorize in perpetuity the District to enter into one or more multiple-fiscal year financial obligations with other governments entities to fund the construction of public improvements as evidenced by one or more intergovernmental agreements and such agreements to be funded by an aggregate amount of tax revenues levied by the District not to exceed $574,000,000 and $574,000,000, respectively, and seven voters and two voters, respectively, unanimously voted in favor of these ballot issues.

On May 06, 2014, the District submitted TABOR ballot issue 5D requesting the voters authorize in perpetuity the District to (1) enter into one or more agreements with any other government or private entities to fund the construction of regional improvements and (2) fund such agreements from up to $70,000,000 annually in property taxes levied by the Board of Directors of the District and two voters unanimously voted in favor of this ballot issue.

On May 06, 2014, the District submitted TABOR ballot issue 5A requesting the voters authorize the District to levy up to $2,000,000 per year to fund the District's administration, operations, maintenance and capital expenses and two voters unanimously voted in favor of such ballot issue.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). TABOR prohibits the District from using its emergency reserves to compensate for economic conditions and revenue shortfalls.

TABOR is complex and subject to legal interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits, may require judicial interpretation.

NOTE 11 – SUBSEQUENT EVENTS

On May 02, 2023, three directors were elected to the District's Board who reported no conflicts of interest regarding their public service on the Board. This was the first time a majority of the District's board has been comprised of independent directors.

On May 10, 2023, the District terminated its service contracts with its accounting firm and law firm, which also have services contracts with the Service District, SCFMD3 and SCFMD4, and hired new accountants and attorneys that have no client relationships with the Service District, SCFMD3 and SCFMD4. The District also notified the Service District that the District would begin directly paying its contractors for providing services to the District (effectively terminating the prior process of allowing the Service District to pay the District's contractors and then reimbursing the Service District for such costs).

SUPPLEMENTARY INFORMATION

SECOND CREEK FARM METROPOLITAN DISTRICT NO. 2
DEBT SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
12 -Month Period Ended
December 31, 2022

	Original Budget	Actual Amounts	Positive / (Negative) Variance with Original Budget
REVENUES			
Property taxes	$ 239,109	$ 239,228	$ 119
Specific ownership taxes	16,738	16,182	(556)
Net investment income	-	67	67
Other income	5,000	-	(5,000)
Total Revenues	260,847	255,477	(5,370)
EXPENDITURES			
Direct and indirect collection expenses	8,587	3,588	4,999
Transfers to Second Creek Farm MD3 under Capital Pledge Agreement	252,260	235,606	16,654
Total Expenditures	260,847	239,194	21,653
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	16,283	16,283
OTHER FINANCING SOURCES (USES)			
Transfers in (out)	-	-	-
Total Other Financing Sources (Uses)	-	-	-
EXCESS OF REVENUES AND OTHER FINANCIAL SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	-	16,283	16,283
FUND BALANCE – BEGINNING	-	-	-
FUND BALANCE – END OF YEAR	**$ -**	**$ 16,283**	**$ 16,283**

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

SECOND CREEK FARM METROPOLITAN DISTRICT NO. 2
DEBT SERVICE FUND
COLLECTION EXPENDITURE DETAILS - BUDGET AND ACTUAL
12 -Month Period Ended
December 31, 2022

	Original Budget	Actual Amounts	Positive / (Negative) Variance with Original Budget
DIRECT AND INDIRECT COLLECTION EXPENSES			
Indirect collection cost allocation	$ -	$ -	$ -
Collection fees – County Treasurer	3,587	3,588	(1)
Legal fees	-	-	-
Miscellaneous costs	5,000	-	5,000
Total Direct and Indirect Collection Expenses	**$ 8,587**	**$ 3,588**	**$ 4,999**

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

SECOND CREEK FARM METROPOLITAN DISTRICT NO. 2

SUMMARY OF ASSESSED VALUATION, MILL LEVY AND PROPERTY TAXES COLLECTED

December 31, 2022

Year Ended December 31,	Prior Year Assessed Valuation for Current Year tax Levy	Mills Levied		Total Property Taxes		Percent Collected to Levied
		Operations	Debt	Levied	Collected (Note A)	
2017	$ 21,890	50.000	-	$ 1,095	$ 1,095	100.0%
2018	29,630	50.000	-	1,482	1,482	100.0%
2019	3,510	55.277	-	195	195	100.0%
2020	11,550	11.132	55.664	773	773	100.0%
2021	20,530	11.132	55.664	1,304	1,304	100.0%
2022	4,295,570	11.132	55.664	286,927	287,070	100.0%
2023	6,141,640	11.374	55.510	410,777	[TBD]	[TBD]

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

OTHER SUPPLEMENTARY INFORMATION

SECOND CREEK FARM METROPOLITAN DISTRICT NO. 2

CHANGE IN TOTAL OVERLAPPING MILL LEVY

December 31, 2022

	2022 Mill Levy *	2021 Mill Levy **	Change
Second Creek Farm Metropolitan District No. 2	66.884	66.796	0.088
Brighton School District No. 27J	56.290	49.866	6.424
Commerce City North Infrastructure General Improvement District	14.000	20.000	(6.000)
Adams County	26.967	27.069	(0.102)
South Adams Fire District No. 4	14.750	14.750	-
Rangeview Library District	3.615	3.689	(0.074)
City of Commerce City	3.110	2.920	0.190
South Adams County Water and Sanitation District	2.424	2.277	0.147
Urban Drainage and Flood Control	0.900	0.900	-
Urban Drainage and Flood Control – South Platte	0.100	0.100	-
Total Mill Levy (Tax Area 459)	**189.040**	**188.367**	**0.673**

* -- For property tax collections in 2023

** -- For property tax collections in 2022