

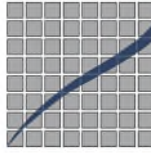
**STETSON RIDGE METROPOLITAN
DISTRICT NO. 1
El Paso County, Colorado**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2022

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YEAR ENDED DECEMBER 31, 2022**

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BiggsKofford

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Stetson Ridge Metropolitan District No. 1
El Paso County, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Stetson Ridge Metropolitan District No. 1 ("District"), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the 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, 2022, the respective changes in financial position, and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of the 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 within one year after the date that the financial statements are available to be issued.

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 auditing standards

generally accepted in the United States of America 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 auditing standards generally accepted in the United States of America, we:

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

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

Other Matters

Required 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 which 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.

BiggsKofford, P.C.

Colorado Springs, Colorado
July 25, 2023

BASIC FINANCIAL STATEMENTS

STETSON RIDGE METROPOLITAN DISTRICT NO. 1
STATEMENT OF NET POSITION
DECEMBER 31, 2022

	<u>Governmental Activities</u>
ASSETS	
Cash and Investments - Restricted	\$ 23,779
Due from Other Districts - District No. 2	85,471
Due from Other Districts - District No. 3	21,127
Due from Other Districts - District No. 2 - Contractual	32,980
Prepaid Expenses	21,742
Capital Assets, Net	313,266
Total Assets	<u>498,365</u>
LIABILITIES	
Accounts Payable	61,155
Noncurrent Liabilities:	
Due in More Than One Year	2,039,682
Total Liabilities	<u>2,100,837</u>
NET POSITION	
Net Investment in Capital Assets	313,266
Restricted for:	
Emergency Reserves	71,300
Unrestricted	<u>(1,987,038)</u>
Total Net Position	<u><u>\$ (1,602,472)</u></u>

See accompanying Notes to Basic Financial Statements.

STETSON RIDGE METROPOLITAN DISTRICT NO. 1
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022

		Charges for Services	Program Revenues Operating Grants and Contributions	Capital Grants and Contributions	
FUNCTIONS/PROGRAMS	Expenses	-	-	-	Net Revenues (Expenses) and Change in Net Position
Primary Government:					
Government Activities:					
General Government	\$ 1,012,143	\$ -	\$ -	\$ -	\$ (1,012,143)
Intergovernmental	189,673	-	-	-	(189,673)
on Long-Term Debt					
Total Government Activities	<u>\$ 1,201,816</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(1,201,816)</u>
GENERAL REVENUES					
Intergovernmental Revenues - District No. 2					510,370
Intergovernmental Revenues - District No. 3					190,407
Intergovernmental Revenues - District No. 2 Contractual					1,670,901
Interest Income					4,399
Total General Revenues					<u>2,376,077</u>
CHANGE IN NET POSITION					
Net Position - Beginning of Year					1,174,261
					<u>(2,776,733)</u>
NET POSITION - END OF YEAR					<u>\$ (1,602,472)</u>

See accompanying Notes to Basic Financial Statements.

**STETSON RIDGE METROPOLITAN DISTRICT NO. 1
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2022**

	General	Total Governmental Funds
ASSETS		
Cash and Investments - Restricted	\$ 23,779	\$ 23,779
Due from Other Districts - District No. 2	85,471	85,471
Due from Other Districts - District No. 3	21,127	21,127
Due from Other Districts - District No. 2 - Contractual	32,980	32,980
Prepaid Insurance	21,742	21,742
Total Assets	\$ 185,099	\$ 185,099
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts Payable	\$ 61,155	\$ 61,155
Total Liabilities	61,155	61,155
FUND BALANCES		
Nonspendable:		
Prepaid Expenses	21,742	21,742
Restricted for:		
Emergency Reserves	71,300	71,300
Assigned To:		
Subsequent Year's Expenditures	30,902	30,902
Total Fund Balances	123,944	123,944
Total Liabilities and Fund Balances	\$ 185,099	
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital Assets, Net		313,266
Long-term liabilities are not due and payable in the current period and, therefore, are not in the funds.		
Accrued Interest on Developer Advance		(85,732)
Developer Advance Payable		(1,953,950)
Net Position of Governmental Activities		\$ (1,602,472)

See accompanying Notes to Basic Financial Statements.

STETSON RIDGE METROPOLITAN DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2022

	General	Total Governmental Funds
REVENUES		
Intergovernmental Revenues - District No. 2	\$ 510,370	\$ 510,370
Intergovernmental Revenues - District No. 3	190,407	190,407
Intergovernmental Revenues - District No. 2 - Contractual	1,670,901	1,670,901
Interest Income	4,399	4,399
Total Revenues	2,376,077	2,376,077
EXPENDITURES		
Current:		
Accounting	35,708	35,708
Audit	14,499	14,499
Banking Fees	8	8
District Management	20,427	20,427
Dues and Licenses	2,912	2,912
Election Expense	21,023	21,023
Fence and Sign Maintenance	600	600
Insurance and Bonds	17,785	17,785
Landscaping	451,164	451,164
Legal Services	11,721	11,721
Miscellaneous	1,008	1,008
Repair and Maintenance	21,224	21,224
Stormwater Fees	12,998	12,998
Snow Removal/Winter Water	2,170	2,170
Utilities	281,410	281,410
Website	457	457
Total Expenditures	895,114	895,114
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,480,963	1,480,963
OTHER FINANCING SOURCES (USES)		
Repay Developer Advance	(2,496,059)	(2,496,059)
Repay Developer Advance - Interest	(103,941)	(103,941)
Total Other Financing Sources	(2,600,000)	(2,600,000)
NET CHANGE IN FUND BALANCES	(1,119,037)	(1,119,037)
Fund Balances - Beginning of Year	1,242,981	1,242,981
FUND BALANCES - END OF YEAR	\$ 123,944	\$ 123,944

See accompanying Notes to Basic Financial Statements.

**STETSON RIDGE METROPOLITAN DISTRICT NO. 1
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED DECEMBER 31, 2022**

Net Change in Fund Balances - Total Governmental Funds	\$ (1,119,037)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>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.</p>	
Depreciation	(117,029)
<p>Long-term debt (e.g., the receipt and repayment of Developer advances) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.</p>	
Repayment of Developer Advances - Capital	2,496,059
<p>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.</p>	
Accrued Interest on Developer Advances - Change in Liability	<u>(85,732)</u>
Changes in Net Position of Governmental Activities	<u><u>\$ 1,174,261</u></u>

See accompanying Notes to Basic Financial Statements.

**STETSON RIDGE METROPOLITAN DISTRICT NO. 1
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2022**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental Revenues - District No. 2	\$ 486,800	\$ 486,800	\$ 510,370	\$ 23,570
Intergovernmental Revenues - District No. 3	188,866	188,866	190,407	1,541
Intergovernmental Revenues - District No. 2 Contractual	1,035,234	1,670,901	1,670,901	-
Interest Income	-	-	4,399	4,399
Other Income	-	200,000	-	(200,000)
Total Revenues	<u>1,710,900</u>	<u>2,546,567</u>	<u>2,376,077</u>	<u>(170,490)</u>
EXPENDITURES				
Current:				
Accounting	35,000	35,000	35,708	(708)
Audit	13,600	13,600	14,499	(899)
Banking Fees	250	250	8	242
District Management	6,000	20,000	20,427	(427)
Dues and Licenses	1,500	1,500	2,912	(1,412)
Election Expense	10,000	25,000	21,023	3,977
Fence and Sign Maintenance	-	-	600	(600)
Insurance and Bonds	16,000	16,000	17,785	(1,785)
Landscaping	280,000	450,000	451,164	(1,164)
Legal Services	7,000	12,000	11,721	279
Lighting	1,500	1,500	-	1,500
Miscellaneous	-	-	1,008	(1,008)
Repairs and Maintenance	5,000	20,000	21,224	(1,224)
Snow Removal/Winter Water	18,000	18,000	2,170	15,830
Stormwater Fees	20,000	20,000	12,998	7,002
Tower and Other Repairs	2,000	2,000	-	2,000
Utilities	300,000	300,000	281,410	18,590
Website	-	-	457	(457)
Contingency	62,550	62,550	-	62,550
Total Expenditures	<u>778,400</u>	<u>997,400</u>	<u>895,114</u>	<u>102,286</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	932,500	1,549,167	1,480,963	(68,204)
OTHER FINANCING SOURCES (USES)				
Repay Developer Advance	(835,722)	(2,500,000)	(2,496,059)	3,941
Repay Developer Advance - Interest	(201,001)	(201,001)	(103,941)	97,060
Total Other Financing Sources	<u>(1,036,723)</u>	<u>(2,701,001)</u>	<u>(2,600,000)</u>	<u>101,001</u>
NET CHANGE IN FUND BALANCES	(104,223)	(1,151,834)	(1,119,037)	32,797
Fund Balance - Beginning of Year	191,482	1,242,981	1,242,981	-
FUND BALANCE - END OF YEAR	<u>\$ 87,259</u>	<u>\$ 91,147</u>	<u>\$ 123,944</u>	<u>\$ 32,797</u>

See accompanying Notes to Basic Financial Statements.

STETSON RIDGE METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 DEFINITION OF REPORTING ENTITY

Stetson Ridge Metropolitan District No. 1 (the District), a quasi-municipal corporation and a political subdivision of the state of Colorado created pursuant to the Colorado Special District Act, was formed in 2000 to manage the construction of all facilities and improvements, and for the operation and maintenance of all improvements not dedicated to the City of Colorado Springs, to include providing infrastructure of water, wastewater, streets, landscaping, and other improvements for residents and businesses within the Stetson Ridge subdivision located in the City of Colorado Springs.

The District was formed in conjunction with Stetson Ridge Metropolitan District No. 2 (District No. 2) and Stetson Ridge Metropolitan District No. 3 (District No. 3) to serve the needs of the Stetson Ridge development for the purpose of financing, construction, and operation of improvements and infrastructure serving the three districts. The District is responsible for managing the construction, operation, and maintenance of all improvements not transferred to the City of Colorado Springs. District No. 2 and District No. 3 are responsible for providing the funding and tax base needed to support the financing plan for capital improvements and to fund ongoing operations. District No. 2 and District No. 3 are not component units of the District.

The District follows 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 operational 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 property taxes and intergovernmental revenues.

STETSON RIDGE METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

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.

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for the governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are homeowner fees and intergovernmental revenue. 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 long-term obligations, are recorded when the liability is incurred or the long-term obligation is due.

The District reports the following major governmental fund:

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.

STETSON RIDGE METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

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

The District amended its annual budget for the year ended December 31, 2022.

Pooled Cash and Investments

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

Capital Assets

Capital assets are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with initial individual cost of more than \$5,000 and estimated useful lives in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs for repairs and maintenance are expensed as incurred. At the time of retirement or disposition of depreciable assets, the related cost and accumulated depreciation are removed from the accounts, and the resulting gain or loss is reflected in revenues or expenses.

Depreciation expense has been computed on the landscaping, parks, and perimeter fencing using the straight-line method over estimated economic useful lives of 20 years and on parks and recreation over estimated economic useful lives of 25 years.

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

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.

STETSON RIDGE METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

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 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: 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.

STETSON RIDGE METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

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 - Restricted	\$ 23,779
Total Cash and Investments	\$ 23,779

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

Deposits with Financial Institutions	\$ 23,779
Total Cash and Investments	\$ 23,779

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's cash deposits had a bank balance and carrying balance of \$23,779.

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.

STETSON RIDGE METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

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

As of December 31, 2022, the District had no investments.

NOTE 4 CAPITAL ASSETS

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

	Balance - December 31, 2021	Increases	Decreases	Balance - December 31, 2022
Capital Assets, Being Depreciated:				
Landscaping and Perimeter Fencing	\$ 2,340,578	\$ -	\$ -	\$ 2,340,578
Total Capital Assets, Being Depreciated	2,340,578	-	-	2,340,578
Less Accumulated Depreciation for:				
Landscaping and Perimeter Fencing	1,910,283	117,029	-	2,027,312
Total Accumulated Depreciation	1,910,283	117,029	-	2,027,312
Governmental Activities - Capital Assets, Net	<u>\$ 430,295</u>	<u>\$ (117,029)</u>	<u>\$ -</u>	<u>\$ 313,266</u>

Depreciation expense was charged to the functions/programs of the primary government as follows:

General Government	<u>\$ 117,029</u>
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STETSON RIDGE METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 5 LONG-TERM OBLIGATIONS

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

	Balance - December 31, 2021	Additions	Retirements	Balance - December 31, 2022	Due Within One Year
Notes and Loans From Direct Borrowing or Placement:					
Developer Advances					
Principal - Operating	\$ 1,300,000	\$ -	\$ -	\$ 1,300,000	\$ -
Principal - Capital	3,150,009	-	2,496,059	653,950	-
Interest on Developer					
Interest - Operating	-	79,083	-	79,083	-
Interest - Capital	-	110,590	103,941	6,649	-
Total	<u>\$ 4,450,009</u>	<u>\$ 189,673</u>	<u>\$ 2,600,000</u>	<u>\$ 2,039,682</u>	<u>\$ -</u>

Developer Advances

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

Funding and Reimbursement Agreement for Operations

The District has entered into a reimbursement agreement with Elite Properties of America, Inc. (the Developer). The proceeds from developer advances have been used primarily to fund the expenditures for operating and administrative expenses. The note accrues interest at a rate of 6.00% per annum. As of December 31, 2022, outstanding principal was \$1,300,000 and accrued interest due to the Developer was \$79,083.

Funding and Reimbursement Agreement for Capital Costs

The District has entered into a reimbursement agreement with Elite Properties of America, Inc. (the Developer). The proceeds from developer advances have been used primarily to fund the expenditures related to establishing the infrastructure, which has been dedicated to the City of Colorado Springs. The note accrues interest at a rate of 6.00% per annum. As of December 31, 2022, outstanding principal was \$653,950 and accrued interest due to the Developer was \$6,649.

NOTE 6 NET POSITION

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

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2022, the District's net investment in capital assets is calculated as follows:

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NOTE 6 NET POSITION (CONTINUED)

Net Investment in Capital Assets:	
Capital Assets, Net	\$ 313,266
Net Investment in Capital Assets	\$ 313,266

Restricted net position includes assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had a restricted net position as of December 31, 2022, as follows:

Restricted Net Position:	
Emergency Reserves (see Note 9)	\$ 71,300
Total Restricted Net Position	\$ 71,300

The District has a deficit in unrestricted net position. This deficit amount is a result of the District being responsible for the Developer advances received for the operations and maintenance of the District as well as the construction of public improvements, which were dedicated to other entities.

NOTE 7 RELATED PARTIES

Some members of the Board of Directors are officers, employees, or associated with the developers of the property within the District, District No. 2, and District No. 3, and may have conflicts of interest in dealing with the District.

NOTE 8 RISK MANAGEMENT

The District is exposed to various risks of losses 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 an 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 the past three fiscal years.

The District pays annual premiums to the Pool for liability and public officials' liability 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.

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NOTE 9 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 within the state of Colorado.

Spending and revenue limits are determined based on the prior 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. Revenues in excess of the fiscal year spending limit must be refunded unless the voters approve retention of such revenues. The District's voters approved a ballot issue allowing The District to retain all revenues.

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

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