

SETTLER'S CROSSING METROPOLITAN DISTRICT NO. 2

Financial Statements

Year Ended December 31, 2023

with

Independent Auditor's Report

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# HIRATSUKA & ASSOCIATES, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Settlers Crossing Metropolitan District No. 2  
Adams County, Colorado

### **Opinion**

We have audited the accompanying financial statements of the governmental activities and each major fund of the Settlers Crossing Metropolitan District No. 2 (the District) as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of December 31, 2023, and the respective changes in financial position 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 Opinion**

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 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 opinion.

### **Responsibilities of Management for the Financial Statements**

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

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

### **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 opinion. 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

#### **Required Supplementary Information**

Management has not presented Management's Discussion and Analysis. Such missing information, although not a part of the basic financial statements, is required by GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

#### **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Supplemental Information as listed in the table of contents is presented for the purpose of additional analysis and was not a required part of the financial statements.

The Supplemental Information is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Hiratsuka & Associates, LLP*

July 30, 2025  
Wheat Ridge, Colorado

**SETTLER'S CROSSING METROPOLITAN DISTRICT NO. 2**

BALANCE SHEET/STATEMENT OF NET POSITION  
GOVERNMENTAL FUNDS  
December 31, 2023

	<u>General</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
<b>ASSETS</b>					
Receivable - County Treasurer	\$ 1,306	\$ -	\$ 1,306	\$ -	\$ 1,306
Property taxes receivable	353	-	353	-	353
A/R - Developer advances	3,521	-	3,521	(3,521)	-
Capital assets not being depreciated	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,995,735</u>	<u>3,995,735</u>
Total Assets	<u>\$ 5,180</u>	<u>\$ -</u>	<u>\$ 5,180</u>	<u>3,992,214</u>	<u>3,997,394</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 3,521	\$ -	\$ 3,521	-	3,521
Long-term liabilities:					
Due in more than one year	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,370,788</u>	<u>4,370,788</u>
Total Liabilities	<u>3,521</u>	<u>-</u>	<u>3,521</u>	<u>4,370,788</u>	<u>4,374,309</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred property taxes	<u>353</u>	<u>-</u>	<u>353</u>	<u>-</u>	<u>353</u>
Total Deferred Inflows of Resources	<u>353</u>	<u>-</u>	<u>353</u>	<u>-</u>	<u>353</u>
<b>FUND BALANCES/NET POSITION</b>					
Fund Balances:					
Restricted:					
Emergencies	2,580	-	2,580	(2,580)	-
Unassigned	<u>(1,274)</u>	<u>-</u>	<u>(1,274)</u>	<u>1,274</u>	<u>-</u>
Total Fund Balances	<u>1,306</u>	<u>-</u>	<u>1,306</u>	<u>(1,306)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 5,180</u>	<u>\$ -</u>	<u>\$ 5,180</u>		
Net Position:					
Restricted for:					
Emergencies				2,580	2,580
Unrestricted				<u>(379,848)</u>	<u>(379,848)</u>
Total Net Position				<u>\$ (377,268)</u>	<u>\$ (377,268)</u>

The notes to the financial statements are an integral part of these statements.

## SETTLER'S CROSSING METROPOLITAN DISTRICT NO. 2

### STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES GOVERNMENTAL FUNDS

For the Year Ended December 31, 2023

	<u>General</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>EXPENDITURES</b>					
Legal	\$ 14,128	\$ -	\$ 14,128	\$ -	\$ 14,128
Transfer to District No. 1	-	3,995,735	3,995,735	-	3,995,735
Treasurer's fees	5	-	5	-	5
Interest expense - developer interest	-	-	-	2,134	2,134
Interest expense - bonds	-	-	-	237,896	237,896
Bond issuance costs	-	95,500	95,500	-	95,500
Capital assets conveyed from other Districts	-	-	-	(3,995,735)	(3,995,735)
Total Expenditures	<u>14,133</u>	<u>4,091,235</u>	<u>4,105,368</u>	<u>(3,755,705)</u>	<u>349,663</u>
<b>GENERAL REVENUES</b>					
Property taxes	361	-	361	-	361
Specific ownership taxes	153	-	153	-	153
Total General Revenues	<u>514</u>	<u>-</u>	<u>514</u>	<u>-</u>	<u>514</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>					
	(13,619)	(4,091,235)	(4,104,854)	3,755,705	(349,149)
<b>OTHER FINANCING SOURCES (USES)</b>					
Bond proceeds	-	4,091,235	4,091,235	(4,091,235)	-
Developer advances	14,128	-	14,128	(14,128)	-
Total Other Financing Sources (Uses)	<u>14,128</u>	<u>4,091,235</u>	<u>4,105,363</u>	<u>(4,105,363)</u>	<u>-</u>
<b>NET CHANGES IN FUND BALANCES</b>					
	509	-	509	(509)	
<b>CHANGE IN NET POSITION</b>					
				(349,149)	(349,149)
<b>FUND BALANCES/NET POSITION:</b>					
BEGINNING OF YEAR - RESTATED	797	-	797	(28,916)	(28,119)
END OF YEAR	<u>\$ 1,306</u>	<u>\$ -</u>	<u>\$ 1,306</u>	<u>\$ (378,574)</u>	<u>\$ (377,268)</u>

The notes to the financial statements are an integral part of these statements.

## SETTLER'S CROSSING METROPOLITAN DISTRICT NO. 2

### STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended December 31, 2023

	<u>Original and</u> <u>Final Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
<b>REVENUES</b>			
Property taxes	\$ 361	\$ 361	\$ -
Specific ownership taxes	22	153	131
Interest income	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>383</u>	<u>514</u>	<u>131</u>
<b>EXPENDITURES</b>			
Accounting and audit	11,000	-	11,000
Election	5,000	-	5,000
Insurance	3,000	-	3,000
Legal	11,000	14,128	(3,128)
Management	11,000	-	11,000
Miscellaneous expenses	500	-	500
Treasurer's fees	5	5	-
Contingency	7,250	-	7,250
Emergency reserve	<u>1,245</u>	<u>-</u>	<u>1,245</u>
Total Expenditures	<u>50,000</u>	<u>14,133</u>	<u>35,867</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(49,617)	(13,619)	35,998
<b>OTHER FINANCING SOURCES (USES)</b>			
Developer advances	<u>49,617</u>	<u>14,128</u>	<u>(35,489)</u>
Total Other Financing Sources (Uses)	<u>49,617</u>	<u>14,128</u>	<u>(35,489)</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	509	509
<b>FUND BALANCE:</b>			
BEGINNING OF YEAR	<u>-</u>	<u>797</u>	<u>797</u>
END OF YEAR	<u>\$ -</u>	<u>\$ 1,306</u>	<u>\$ 1,306</u>

The notes to the financial statements are an integral part of these statements.

## SETTLER'S CROSSING METROPOLITAN DISTRICT NO. 2

### Notes to Financial Statements December 31, 2023

#### Note 1: Summary of Significant Accounting Policies

The accounting policies of the Settler's Crossing Metropolitan District No. 2, located in Commerce City, Adams County, Colorado, conform to the accounting principles generally accepted in the United States of America ("GAAP") as applicable to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies consistently applied in the preparation of financial statements.

#### Definition of Reporting Entity

The District was organized on May 8, 2006, as a quasi-municipal corporation and political subdivision of the State of Colorado established under the State of Colorado Special District Act. The District was established to finance and construct certain public infrastructure improvements that benefit the property owners and taxpayers of the District. The District's primary revenues during 2023 are bond proceeds and Property Owner advances. After development, revenues are expected to include property taxes. The District is governed by an elected Board of Directors.

As required by GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District follows the GASB pronouncements, which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB sets 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 pronouncements also require including a possible component unit if it would be misleading to exclude it.

The District is not financially accountable for any other organization. The District has no component units as defined by the GASB.

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

#### Basis of Presentation

The accompanying financial statements are presented per GASB Statement No. 34 - Special Purpose Governments.



## SETTLER'S CROSSING METROPOLITAN DISTRICT NO. 2

### Notes to Financial Statements December 31, 2023

The government-wide financial statements (i.e. the governmental funds balance sheet/statement of net position and the governmental funds statement of revenues, expenditures, and changes in fund balances/statement of activities) report information on all of the governmental activities of the District. The statement of net position reports all financial and capital resources of the District. The difference between the (a) assets and deferred outflows of resources and the (b) liabilities and deferred inflows of resources of the District is reported as net position. The statement of activities demonstrates the degree to which expenditures/expenses of the governmental funds are supported by general revenues. For the most part, the effect of interfund activity has been removed from these statements.

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*.

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 the related cash flows. Property taxes are recognized as revenues in the year in which they are collected.

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 material sources of revenue subject to accrual are property taxes and interest. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred, or the long-term obligation is paid.

## SETTLER'S CROSSING METROPOLITAN DISTRICT NO. 2

### Notes to Financial Statements December 31, 2023

The District reports the following major governmental funds:

**General Fund** - The General Fund is the general operating fund of the District. It is used to account for all financial resources not accounted for and reported in another fund.

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

#### Budgetary Accounting

In accordance with the State Budget Law of Colorado, the District's Board of Directors holds public hearings in the fall of each year to approve the budget and appropriate the funds for the ensuing year. 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 appropriation is at the total fund expenditures level and lapses at year end.

The District amended its total appropriations in the Capital Projects Fund from \$0 to \$10,300,000 primarily due to the issuance of the Series 2023 Bonds (See Note 4).

#### Assets, Liabilities and Net Position:

##### Fair Value of Financial Instruments

The District's financial instruments include cash and cash equivalents, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2023, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

##### Deposits

The District's cash and cash equivalents are considered to be cash on hand and short-term investments with maturities of three months or less from the date of acquisition.

The District follows the practice of pooling cash of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a minimum number of bank accounts. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility.

## SETTLER'S CROSSING METROPOLITAN DISTRICT NO. 2

### Notes to Financial Statements December 31, 2023

#### Interfund Balances

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". These amounts are eliminated in the Statement of Net Position.

#### Estimates

The preparation of these financial statements in conformity with GAAP requires the District management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Deferred property taxes are deferred and recognized as an inflow of resources in the period that the amounts become available.

#### Capital Assets

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

The costs of normal maintenance and repairs that do not add to the value of the assets 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 using the straight-line method. Depreciation on property that will remain assets of the District is reported on the Statement of Activities as a current charge. Improvements that will be conveyed to other governmental entities are classified as construction in progress and are not depreciated. No depreciation expense was recognized during 2023.

## SETTLER'S CROSSING METROPOLITAN DISTRICT NO. 2

### Notes to Financial Statements December 31, 2023

#### Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

#### 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 taxpayers' election, in February and June. Delinquent taxpayers are notified in July or August and the sales of the resultant tax liens on delinquent properties are generally held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows in the year they are levied and measurable since they are not normally available nor are they budgeted as a resource until the subsequent year. The deferred property taxes are recorded as revenue in the subsequent year when they are available or collected.

#### Fund Balance

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications make the nature and extent of the constraints placed on a government's fund balance more transparent:

#### Nonspendable Fund Balance

Nonspendable fund balance includes amounts that cannot be spent because they are either not spendable in form (such as inventory or prepaids) or are legally or contractually required to be maintained intact.

#### Restricted Fund Balance

The restricted fund balance includes amounts restricted for a specific purpose by external parties such as grantors, bondholders, constitutional provisions or enabling legislation.

The restricted fund balance in the General Fund represents Emergency Reserves that have been provided as required by Article X, Section 20 of the Constitution of the State of Colorado. A total of \$2,580 of the General Fund balance has been restricted in compliance with this requirement.

## SETTLER'S CROSSING METROPOLITAN DISTRICT NO. 2

### Notes to Financial Statements December 31, 2023

#### Committed Fund Balance

The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by a 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

Assigned fund balance includes amounts the District intends to use for a specific purpose. Intent can be expressed by the District's Board of Directors or by an official or body to which the Board of Directors delegates the authority.

#### Unassigned Fund Balance

Unassigned fund balance includes amounts that are available for any purpose. Positive amounts are reported only in the General Fund all other funds can report negative amounts.

For the classification of Governmental Fund balances, the District considers an expenditure to be made from the most restrictive first when more than one classification is available.

#### Net Position

Net Position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The District can report three categories of net position, as follows:

Net investment in capital assets – consists of net capital assets, reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.

Restricted net position – net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

Unrestricted net position – consists of all other net position that does not meet the definition of the above two components and is available for general use by the District.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District will use the most restrictive net position first.

SETTLER'S CROSSING METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements  
December 31, 2023

Note 2: Cash

As of December 31, 2023, cash is classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	\$ 0
Cash and investments – Restricted	<u>0</u>
Total	<u><u>\$ 0</u></u>

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

Deposits with financial institutions	\$ 0
Investments – COLOTRUST	<u>0</u>
	<u><u>\$ 0</u></u>

Deposits

Custodial Credit Risk

The Colorado Public Deposit Protection Act, (“PDPA”) requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. 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 is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 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.

The District follows state statutes for deposits. None of the District’s deposits were exposed to custodial credit risk.

Investments

Investment Valuation

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District’s investment is not required to be categorized within the fair value hierarchy. This investment’s value is calculated using the net asset value method (“NAV”) per share.

SETTLER'S CROSSING METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements  
December 31, 2023

Credit Risk

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments. Colorado statutes specify the types of investments meeting defined rating and risk criteria in which local governments may invest. These investments include obligations of the United States and certain U.S. Government agency entities, certain money market funds, guaranteed investment contracts, and local government investment pools.

Custodial and Concentration of Credit Risk

The District doesn't have any investments which are subject to custodial or concentration of credit risk.

Interest Rate Risk

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors.

Note 3: Capital Assets

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

<u>Governmental Type Activities:</u>	<u>Balance</u> <u>1/1/2023</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2023</u>
<u>Capital assets not being depreciated:</u>				
Construction in progress	\$ -	\$ 3,995,735	\$ -	\$ 3,995,735
Total capital assets not being depreciated	-	3,995,735	-	3,995,735
Government type assets, net	<u>\$ -</u>	<u>\$ 3,995,735</u>	<u>\$ -</u>	<u>\$ 3,995,735</u>

In 2023, the District accepted conveyance of capital assets all of which were categorized as Construction in Progress from District No. 1 pursuant to the Cost Sharing IGA (see Note 6). The District will convey all fixed assets to other local governments upon acceptance from other governmental entities. The District will not be responsible for maintenance.

SETTLER'S CROSSING METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements  
December 31, 2023

Note 4: Long Term Debt

A description of the long-term obligations as of December 31, 2023, is as follows:

Series 2023 Bonds - On January 30, 2023, the District issued its Convertible Capital Appreciation Limited Tax General Obligation Refunding and Improvement Draw Down Bonds Series 2023 (the "Series 2023 Bonds") dated January 30, 2023 with an original issue price of \$4,091,235, with a maximum principal amount of up to \$4,727,000 when fully drawn, for the purpose of funding public capital facilities for the District and paying the costs of issuing the bonds. On June 1, 2023, to the date of maturity or prior redemption, the Series 2023 Bonds bear interest at the rate of 6.875% per annum. Interest is calculated on the basis of a 360-day year of twelve 30-day months, payable to the extent of Pledged Revenue available on each December 1, commencing December 1, 2028 (prior to June 1, 2028, the Series 2023 Bonds shall pay no current interest yet will accrete in value in accordance with the Accretion Table supplied by the underwriter at the time of closing, compounding semi-annually on each June 1 and December 1, commencing June 1, 2023). The Series 2023 Bonds are subject to a mandatory sinking fund redemption commencing on December 1, 2030. The Series 2023 Bonds mature on December 1, 2060.

The Series 2023 Bonds are secured by Pledged Revenues including the Required Mill Levy imposed each year upon all taxable property of the District in an amount sufficient to pay the Debt Service Requirements as the same become due and payable, but not in excess of 50.000 mills, adjusted for changes of assessed valuation calculation, the portion of the specific ownership tax allocable to the amount of the Required Mill Levy, and any other legally available moneys that the Board determines in its sole discretion to credit to the Bond Fund.

The full accreted amount upon maturity of the drawn on Bond funds at December 31, 2024, is \$5,686,178. In 2023, the Series 2023 Bonds accreted by \$237,883.

Property Owner Advances – Capital

On May 12, 2006, the District and 96 Tower Investors, LLC (the "Property Owner") entered into a Project Funding and Reimbursement Agreement, ("2006 PFA"). On September 25, 2008, with an effective date of January 1, 2009, the District and Property Owner entered into a Project Funding and Reimbursement Agreement (the "2009 PFA" and together with the 2006 PFA, the "PFA").

The District acknowledges that the Property Owner has made advances for formation costs and other capital costs that benefit the District. The District has agreed to reimburse the Property Owner for such costs. The advances made under the PFA were used to purchase the water / sewer resource credits. The advances earn interest at the rate of 8% per annum. Payments made by the District to the Property Owner shall be credited first against accrued and unpaid interest and then to the principal amount due. The Property Owner no longer has any obligation to make advances under this agreement.



## SETTLER'S CROSSING METROPOLITAN DISTRICT NO. 2

### Notes to Financial Statements December 31, 2023

On December 28, 2022, the District and the Property Owner entered into a Facilities Acquisition Agreement (the "Acquisition Agreement"). Pursuant to the Acquisition Agreement, the District will reimburse the Property Owner for Certified Construction Costs up to a maximum of \$15,000,000, together with interest thereon. Certified Construction Costs shall accrue on amounts reimbursable to the Property Owner under the Acquisition Agreement, until paid, at the rate of 6% per annum. Payments made by the District to the Property Owner shall be credited first against accrued and unpaid interest and then to the principal amount due.

#### Property Owner Advances - Operations

On May 12, 2006, the District and the Property Owner entered into a 2006 Operation Funding Agreement (the "2006 OFA"). This OFA was renewed various times through the 2021 fiscal year, at which time the District received operating advances.

On December 8, 2020, effective as of January 1, 2021, the District and the Property Owner entered into a 2021 Operation Funding Agreement (the "2021 OFA"). Pursuant to the 2021 OFA, the Property Owner agreed to advance funds necessary to fund the District's operations and maintenance expenses for fiscal year 2021, in an amount not to exceed \$50,000.00. Advances made under the 2021 OFA shall bear simple interest at a rate of 6% per annum from the date of deposit into the District's account, until paid.

On December 8, 2021, effective as of January 1, 2022, the District and the Property Owner entered into a 2022 Operation Funding Agreement (the "2022 OFA"). Pursuant to the 2022 OFA, the Property Owner agreed to advance funds necessary to fund the District's operations and maintenance expenses for fiscal year 2022, in an amount not to exceed \$50,000.00. Advances made under the 2022 OFA shall bear simple interest at a rate of 6% per annum from the date of deposit into the District's account, until paid.

On December 2, 2022, effective as of January 1, 2023, the District and the Property Owner entered into a 2023 Operation Funding Agreement, as amended December 3, 2023, effective as of January 1, 2024 (the "First Amendment" and together with the 2023 Operation Funding Agreement, the "2023 OFA"). Pursuant to the 2023 OFA, the Property Owner agreed to advance funds necessary to fund the District's operations and maintenance expenses for fiscal years 2023 and 2024, in an amount not to exceed \$151,300.00. Advances made under the 2023 OFA shall bear simple interest at a rate of 6% per annum from the date of deposit into the District's account, until paid. Pursuant to the 2023 OFA, payments to reimburse the Property Owner shall be made on December 2 of each year and shall be applied as follows: (a) first to the 2021 OFA accrued and unpaid interest and then the 2021 OFA principal amount due; then (b) first to the 2022 OFA accrued and unpaid interest and then the 2022 OFA principal amount due; then (c) first to the 2023 OFA accrued and unpaid interest and then to the 2023 OFA principal amount due; and then (d) first to the First Amendment to the 2023 OFA accrued and unpaid interest and then to the First Amendment to the 2023 OFA principal amount due.

SETTLER'S CROSSING METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements  
December 31, 2023

The Property Owner's funding obligations under the 2023 OFA expire on December 31, 2064. Any amount of principal and accrued interest of the District's repayment obligations outstanding under the 2023 OFA on December 31, 2064, shall be deemed to be forever discharged and satisfied in full.

The District intends to repay any advances, to the extent it has funds available from the imposition of taxes, fees, rates, tolls penalties and charges and from any other revenue legally available, after the payment of its annual debt service obligations and annual operations and maintenance expenses, which repayment is subject to annual budget and appropriation. As of December 31, 2023, \$39,006 of principal and \$2,651 of accrued interest were outstanding under the Operation Agreement.

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

	Balance - Restated			Balance	Current
	1/1/2023	Additions	Deletions	12/31/2023	Portion
<u>General Obligation Bonds</u>					
Convertible Capital Appreciation Limited Tax General Obligation Draw Down Bonds Series 2023	\$ -	\$ 4,091,235	\$ -	\$ 4,091,235	\$ -
General Obligation Bonds Series 2023 Accretion	-	237,896	-	237,896	-
Total	-	4,329,131	-	4,329,131	-
<u>Other</u>					
Developer Advance - Operating	10,689	28,317	-	39,006	-
Developer accrued interest - Operating	517	2,134	-	2,651	-
Total	11,206	30,451	-	41,657	-
Total Long-Term Liabilities	\$ 11,206	\$ 4,359,582	\$ -	\$ 4,370,788	\$ -

SETTLER'S CROSSING METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements  
December 31, 2023

The following is a summary of the annual long-term debt principal and interest requirements upon full accretion of the Series 2023 Bonds which are drawn on as of December 31, 2023:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ -	\$ -	\$ -
2025	-	-	-
2026	-	-	-
2027	-	-	-
2028	-	201,719	201,719
2029-2033	87,178	2,009,724	2,096,902
2034-2038	258,000	1,956,900	2,214,900
2039-2043	484,000	1,839,544	2,323,544
2044-2048	816,000	1,630,544	2,446,544
2049-2053	1,275,000	1,291,331	2,566,331
2054-2058	1,935,000	768,625	2,703,625
2059-2060	<u>1,013,000</u>	<u>106,013</u>	<u>1,119,013</u>
	<u>\$ 5,868,178</u>	<u>\$ 9,804,400</u>	<u>\$ 15,672,578</u>

Debt Authorization

In the 2006 election, the District's qualified electors approved debt authorization of \$264,000,000.

Per the District's Service Plan, the District and District No. 1 shall have the authority to issue debt in the total aggregate amount not to exceed \$27,000,000 (not including refunding debt). However, there is no remaining Service Plan debt limit available after the District's issuance of its Series 2023 Bonds.

Note 5: Related Party

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

## SETTLER'S CROSSING METROPOLITAN DISTRICT NO. 2

### Notes to Financial Statements December 31, 2023

#### Note 6: Agreements

##### Cost Sharing Intergovernmental Agreement

On January 24, 2023, the District and District No. 1 entered into a Cost Sharing Intergovernmental Agreement (the "Cost Sharing IGA") pursuant to which there was a reallocation or allocation of certain costs of District Shared Improvements (defined therein), including the Initial Shared Improvements (defined therein) based on the determination made by an independent engineering firm contained in the Cost Share Report (as defined therein and also referred to as the "Cost Share Memorandum" in the Joint Resolution described below) included as an exhibit to the Cost Sharing IGA.

The proceeds of District No. 1's Series 2020A Bonds, Series 2020B Bonds, Series 2021C<sup>(3)</sup> Bonds, and Series 2022D<sup>(3)</sup> Bonds (the "District No. 1's Bonds") paid for certain Initial Shared Improvements. However, based on the Cost Share Report, certain of those costs constituted District Specific Improvements (defined therein) benefiting the District and thus should have been paid for by the District. The Cost Sharing IGA provides that to the extent the proceeds of District No. 1's Bonds paid any portion of the Initial Shared Improvements allocated or reallocated to the District, then the District shall reimburse District No. 1 for such amounts, and such reimbursement shall be effectuated in the manner contemplated under the Cost Share IGA.

##### Joint Resolution

On January 24, 2023, the District and District No. 1 adopted Resolution No. 2023-01-02 being a Joint Resolution of Settler's Crossing Metropolitan District No. 1 and Settler's Crossing Metropolitan District No. 2 Regarding Allocation and Acceptance of Project Costs Pursuant to Project Funding and Reimbursement Agreement, Facilities Acquisition Agreements and Cost Sharing Intergovernmental Agreement (the "Joint Resolution"). Pursuant to the Joint Resolution, the District agrees to repay District No. 1 \$3,995,735, as reflected in the Cost Share Report by: (a) refunding the amount of \$1,379,075, which is the amount outstanding on District No. 1's Series 2022D<sup>(3)</sup> Bonds and (b) incurring a District No. 1 Reimbursement Reduction (as defined in the Cost Sharing IGA) in the amount of \$2,616,659.

The District acknowledges that any amounts owed by the District to District No. 1 for District Shared Improvements will be reduced by \$3,995,735 and therefore, as of the date of this Resolution, the District will have no outstanding amounts due to District No. 1 for District Shared Improvements previously paid by District No. 1 but allocable to the District.

## SETTLER'S CROSSING METROPOLITAN DISTRICT NO. 2

### Notes to Financial Statements December 31, 2023

#### Note 7: Tax, Spending and Debt Limitations

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

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

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

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

On May 2, 2006, a majority of the District's electors authorized the District to collect and spend or retain in a reserve all currently levied taxes and fees of the District without regard to any limitations under Article X, Section 20 of the Colorado Constitution.

#### Note 8: Risk Management

Except as provided in the Colorado Governmental Immunity Act, 24-10-101, et seq., CRS, the District may be exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors or omissions; injuries to agents; and natural disasters. The District has elected to participate in the Colorado Special Districts Property and Liability Pool ("Pool") which is an organization created by intergovernmental agreement to provide common liability and casualty insurance coverage to its members at a cost that is considered economically appropriate. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for auto, public officials' liability, and property and general liability coverage. In the event aggregated losses incurred by the Pool exceed its amounts recoverable from reinsurance contracts and its accumulated reserves, the District may be called upon to make additional contributions to the Pool on the basis proportionate to other 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.

SETTLER'S CROSSING METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements  
December 31, 2023

Note 9: Reconciliation of Government-Wide Financial Statements and Fund Financial Statements

The Governmental Funds Balance Sheet/Statement of Net Position includes an adjustments column. The adjustments may have the following elements:

- 1) Capital improvements used in government activities are not financial resources and, therefore are not reported in the funds; and
- 2) long-term liabilities such as bonds payable and accrued bond interest payable are not due and payable in the current period and, therefore, are not in the funds.

The Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities includes an adjustments column. The adjustments may have the following elements:

- 1) Governmental funds report capital outlays as expenditures, however, in the statement of activities, the costs of those assets are held as construction in process pending transfer to other governmental entities or depreciated over their useful lives;
- 2) governmental funds report interest expense on the modified accrual basis; however, interest expense is reported on the full accrual method on the Statement of Activities;
- 3) governmental funds report Property Owner advances and/or bond proceeds as revenue; and
- 4) governmental funds report long-term debt payments as expenditures, however, in the statement of activities, the payment of long-term debt is recorded as a decrease of long-term liabilities.

SETTLER'S CROSSING METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements  
December 31, 2023

Note 10: Prior Period Adjustments

In 2023, it was discovered that the Property Owner paid for legal invoices on behalf of the District for fiscal years 2020 – 2022. Therefore, the beginning balances of Long-Term Debt and the Statement of Activities are restated as follows. The difference between the two restatement amounts are developer advances which were receivable at 12/31/2022.

	<u>Long-Term Debt</u>
Beginning Balance (aggregate):	\$ -
Developer Advance - Operating	10,689
Developer accrued interest - Operating	<u>517</u>
Restated Beginning Balance (aggregate):	<u>\$ 11,206</u>
	<u>Statement of Activities</u>
Beginning Balance:	\$ 797
Developer accrued interest - Operating	(517)
2020 - 2022 legal expenses	<u>(28,399)</u>
Restated Beginning Balance:	<u>\$ (28,119)</u>

SUPPLEMENTAL INFORMATION



## SETTLER'S CROSSING METROPOLITAN DISTRICT NO. 2

### STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - CAPITAL PROJECTS FUND

For the Year Ended December 31, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>				
Interest income	\$ -	\$ -	\$ -	\$ -
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXPENDITURES</b>				
Bond issuance costs	-	100,000	95,500	4,500
Transfer to District No. 1	-	1,379,075	3,995,735	(2,616,660)
Capital assets conveyed from other Districts	-	8,820,925	-	8,820,925
Total Expenditures	<u>-</u>	<u>10,300,000</u>	<u>4,091,235</u>	<u>6,208,765</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	-	(10,300,000)	(4,091,235)	6,208,765
<b>OTHER FINANCING SOURCES (USES)</b>				
Bond proceeds	-	4,727,000	4,091,235	(635,765)
Developer advances	-	5,573,000	-	(5,573,000)
Total Other Financing Sources (Uses)	<u>-</u>	<u>10,300,000</u>	<u>4,091,235</u>	<u>(6,208,765)</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	-	-	-
<b>FUND BALANCE:</b>				
BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of these statements.

SETTLER'S CROSSING METROPOLITAN DISTRICT NO. 2

SUMMARY OF ASSESSED VALUATION, MILL LEVY  
AND PROPERTY TAXES COLLECTED

December 31, 2023

<b>Collection Year Ended December 31,</b>	<b>Assessed Valuation</b>	<b>Mills Levied</b>		<b>Total Property Tax</b>		<b>Percent Collected to Levied</b>
		<b>General Fund</b>	<b>Debt Service</b>	<b>Levied</b>	<b>Collected (1)</b>	
2020	\$ 13,280	60.000	0.000	\$ 797	\$ 797	100.00%
2021	\$ 19,890	0.000	0.000	\$ -	\$ -	100.00%
2022	\$ 23,240	0.000	0.000	\$ -	\$ -	100.00%
2023	\$ 11,100	32.500	0.000	\$ 361	\$ 361	100.07%
Estimated for year ending December 31, 2024	\$ 7,360	48.000	0.000	\$ 353		

**NOTE**

(1) Property taxes collected in any one year include collection of delinquent property taxes levied and/or abatements or valuations in prior years. Information received from the County Treasurer does not permit identification of specific year assessment.