SETTLER'S CROSSING METROPOLITAN DISTRICT NO. 1

Financial Statements

Year Ended December 31, 2022

with

Independent Auditor's Report

CONTENTS

HIRATSUKA & ASSOCIATES, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Settlers Crossing Metropolitan District No 1
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 1 (the 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, 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.

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- 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.

Unaudited Information

The Continuing Disclosure Annual Financial Information – Unaudited as listed in the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on this information.

Hiratsuka & Associates, LLP

April 8, 2024
Wheat Ridge, Colorado

SETTLER'S CROSSING METROPOLITAN DISTRICT NO. 1

BALANCE SHEET/STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
December 31, 2022

	General	Debt Service	Capital Projects	Total	Adjustments	Statement of Net Position
ASSETS						
Cash	$ 126,663	$ -	$ -	$ 126,663	$ -	$ 126,663
Cash - restricted	2,106	1,902,298	2,609	1,907,013	-	1,907,013
Receivable - County Treasurer	81	562	-	643	-	643
Property taxes receivable	47,629	340,946	-	388,575	-	388,575
Accounts receivable	-	-	4,885	4,885	-	4,885
A/R - Developer advances	-	-	105,315	105,315	(105,315)	-
Prepaid expenses	3,021	-	-	3,021	-	3,021
Due from other funds	23,577	89,232	-	112,809	(112,809)	-
Capital assets not being depreciated	-	-	-	-	14,744,918	14,744,918
Total Assets	$ 203,077	$ 2,333,038	$ 112,809	$ 2,648,924	14,526,794	17,175,718
LIABILITIES						
Accounts payable	$ 50,512	$ -	$ -	$ 50,512	-	50,512
Accrued interest on bonds	-	-	-	-	67,390	67,390
Due to other funds	-	-	112,809	112,809	(112,809)	-
Long-term liabilities:						
Due in more than one year	-	-	-	-	24,891,520	24,891,520
Total Liabilities	50,512	-	112,809	163,321	24,846,101	25,009,422
DEFERRED INFLOWS OF RESOURCES						
Deferred property taxes	47,629	340,946	-	388,575	-	388,575
Total Deferred Inflows of Resources	47,629	340,946	-	388,575	-	388,575
FUND BALANCES/NET POSITION						
Fund Balances:						
Nonspendable:						
Prepaids	3,021	-	-	3,021	(3,021)	-
Restricted:						
Emergencies	2,106	-	-	2,106	(2,106)	-
Debt service	-	1,992,092	-	1,992,092	(1,992,092)	-
Unassigned	99,809	-	-	99,809	(99,809)	-
Total Fund Balances	104,936	1,992,092	-	2,097,028	(2,097,028)	-
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 203,077	$ 2,333,038	$ 112,809	$ 2,648,924		
Net Position:						
Restricted for:						
Emergencies					2,106	2,106
Debt service					1,924,702	1,924,702
Unrestricted					(10,149,087)	(10,149,087)
Total Net Position					$ (8,222,279)	$ (8,222,279)

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

SETTLER'S CROSSING METROPOLITAN DISTRICT NO. 1

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2022

	General	Debt Service	Capital Projects	Total	Adjustments	Statement of Activities
EXPENDITURES						
Accounting and audit	$ 17,041	$ -	$ -	$ 17,041	$ -	$ 17,041
Insurance	2,770	-	-	2,770	-	2,770
Legal	46,412	-	-	46,412	-	46,412
Election expense	1,170	-	-	1,170	-	1,170
Miscellaneous expenses	771	-	-	771	-	771
Bond interest expense	-	808,675	-	808,675	496,523	1,305,198
Paying agent fees	-	10,500	-	10,500	-	10,500
Bond issuance costs	-	-	143,770	143,770	-	143,770
Capital outlay	-	-	2,729,539	2,729,539	(2,729,539)	-
Developer advances - principal	-	-	3,392,933	3,392,933	(3,392,933)	-
Developer advances - interest	-	-	18,019	18,019	20,200	38,219
Total Expenditures	68,164	819,175	6,284,261	7,171,600	(5,605,749)	1,565,851
GENERAL REVENUES						
Property taxes	13,698	95,308	-	109,006	-	109,006
Specific ownership taxes	928	6,458	-	7,386	-	7,386
Interest income	724	36,554	392	37,670	-	37,670
Total General Revenues	15,350	138,320	392	154,062	-	154,062
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(52,814)	(680,855)	(6,283,869)	(7,017,538)	5,605,749	(1,411,789)
OTHER FINANCING SOURCES (USES)						
Bond proceeds	-	-	1,379,075	1,379,075	(1,379,075)	-
Developer contribution	-	-	143,770	143,770	-	143,770
Developer forgiveness of interest on note	-	-	-	-	9,521	9,521
Developer advances	56,910	-	2,784,000	2,840,910	(2,840,910)	-
Total Other Financing Sources (Uses)	56,910	-	4,306,845	4,363,755	(4,210,464)	153,291
NET CHANGES IN FUND BALANCES	4,096	(680,855)	(1,977,024)	(2,653,783)	2,653,783	
CHANGE IN NET POSITION					(1,258,498)	(1,258,498)
FUND BALANCES/NET POSITION:						
BEGINNING OF YEAR - RESTATED	100,840	2,672,947	1,977,024	4,750,811	(11,714,592)	(6,963,781)
END OF YEAR	$ 104,936	$ 1,992,092	$ -	$ 2,097,028	$ (10,319,307)	$ (8,222,279)

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

SETTLER'S CROSSING METROPOLITAN DISTRICT NO. 1

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
GENERAL FUND
For the Year Ended December 31, 2022

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Property taxes	$ 13,698	$ 13,698	$ 13,698	$ -
Specific ownership taxes	822	822	928	106
Interest income	-	-	724	724
Total Revenues	14,520	14,520	15,350	830
EXPENDITURES				
Accounting and audit	15,000	21,780	17,041	4,739
Election expense	5,000	1,170	-	1,170
Insurance	4,000	3,015	2,770	245
Legal	20,000	68,563	46,412	22,151
Miscellaneous expenses	500	30,267	771	29,496
Treasurer's fees	205	205	-	205
Contingency	3,954	-	-	-
Emergency reserve	1,341	-	-	-
Total Expenditures	50,000	125,000	68,164	56,836
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(35,480)	(110,480)	(52,814)	57,666
OTHER FINANCING SOURCES (USES)				
Developer advances	35,480	55,785	56,910	1,125
Total Other Financing Sources (Uses)	35,480	55,785	56,910	1,125
NET CHANGE IN FUND BALANCE	-	(54,695)	4,096	58,791
FUND BALANCE:				
BEGINNING OF YEAR	-	54,695	100,840	46,145
END OF YEAR	$ -	$ -	$ 104,936	$ 104,936

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

Note 1: Summary of Significant Accounting Policies

The accounting policies of the Settler's Crossing Metropolitan District No. 1, 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 2022 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.

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 for 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 *availabl*e 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.

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.

Debt Service Fund – The Debt Service Fund is used to account for all financial resources that are restricted, committed or assigned to expenditures for principal, interest and other debt related costs.

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.

In 2022, the District amended its total appropriations in the General Fund from $50,000 to $125,000 primarily due to increased expenses. The District also amended its total appropriations in the Capital Projects Fund from $0 to $4,727,000 and subsequently to $7,000,000 primarily due to the issuance of the Series 2022D(3) Bonds and repayment of developer advances, (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, 2022, 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.

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.

Bond Premium

The Bond Premium from the Series 2020A Bonds is being amortized over the respective terms of the bonds using the effective interest method. Accumulated amortization of the bond premium amounted to $12,651 at December 31, 2022.

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 2022.

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.

The nonspendable fund balance in the General Fund in the amount of $3,021 represents prepaid expenditures.

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 $2,106 of the General Fund balance has been restricted in compliance with this requirement.

The restricted fund balance in the Debt Service Fund in the amount of $1,992,092 is restricted for the payment of the debt service costs associated with the Series 2020A Bonds, Series 2020B Bonds, Series 2021C(3) Bonds and the Series 2022D(3) Bonds (see Note 4).

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.

The District has a deficit in unrestricted net position as of December 31, 2022. This deficit amount is the result of the District being responsible for the payment of debt issued for public improvements that will be conveyed to other governmental entities and which will be removed from the District's financial records.

Note 2: Cash

As of December 31, 2022, cash is classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash	$ 126,663
Cash – Restricted	1,907,013
Total	$ 2,033,676

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

Deposits with financial institutions	$ 6,944
Investments – COLOTRUST	2,026,732
	$ 2,033,676

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 does not have a formal policy 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.

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
None of the District's investments 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.

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

COLOTRUST
The local government investment pool, Colorado Local Government Liquid Asset Trust ("COLOTRUST") is rated AAAm by Standard & Poor's with a weighted average maturity of under 60 days. COLOTRUST is an investment trust/joint venture established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing COLOTRUST. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. COLOTRUST operates similarly to a money market fund with each share maintaining a value of $1.00. COLOTRUST offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both investments consist of U.S. Treasury bills and notes and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. Designated custodian banks provide safekeeping and depository services to COLOTRUST. Substantially all securities owned by COLOTRUST are held by the Federal Reserve Bank in the accounts maintained for the custodian banks. The custodians' internal records identify the investments owned by COLOTRUST. At December 31, 2022, the District had $2,026,732 invested in COLOTRUST.

Note 3: Capital Assets

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

Governmental Type Activities:	Balance - Restated 1/1/2022	Additions	Deletions	Balance 12/31/2022
Capital assets not being depreciated:				
Construction in progress	$ 12,015,379	$ 2,729,539	$ -	$ 14,744,918
Total capital assets not being depreciated	12,015,379	2,729,539	-	14,744,918
Government type assets, net	$ 12,015,379	$ 2,729,539	$ -	$ 14,744,918

Note 4: Long Term Debt

A description of the long-term obligations as of December 31, 2022, is as follows:

Series 2020A Limited Tax General Obligation Bonds
The District issued $15,920,000 of Limited Tax General Obligation Bonds, Series 2020A (the "Series 2020A Bonds") dated August 27, 2020. The Series 2020A Bonds were issued for the purposes of funding and reimbursing a portion of the costs of acquiring, constructing and installing certain public improvements, paying capitalized interest for payment of a portion of the interest of the Series 2020A Bonds, funding an initial deposit to the Series 2020A Surplus Fund and paying the costs of issuance of the Series 2020A Bonds. The Series 2020A Bonds bear interest at rates ranging between 5.00% to 5.125%, payable semiannually on each June 1 and December 1, commencing on December 1, 2020, and maturing on December 1, 2040 and on December 1, 2050. The Series 2020A Bonds are secured by Senior Pledged Revenues including the Senior Required Mill Levy (as defined in the Indenture of Trust for the Series 2020A Bonds or the "Series 2020A Indenture"), which includes any declaration, covenant, agreement or other arrangement which provides for a tax equivalency or similar payment in lieu of taxes ("PILOT") against any property which would be subject to the Senior Required Mill Levy but for the fact that it is classified as exempt from ad valorem property taxation, specific ownership taxes which are collected as a result of the imposition of the Senior Required Mill Levy and any other legally available moneys that the District determines, in its absolute discretion, to transfer to the Senior Indenture Trustee for application as Senior Pledged Revenue. The Series 2020A Bonds are also secured by a Surplus Fund Requirement of $3,184,000. As long as the amount on deposit in the Surplus Fund is less than the Surplus Fund Requirement, the Required Mill levy shall equal 55.664 mills. As of December 31, 2022, the District has $1,287,013 deposited in the Surplus Fund.

The Series 2020A Bonds are subject to a mandatory sinking fund redemption commencing on December 1, 2025, for Bonds maturing on December 1, 2040, and December, 1 2041 for maturing on December 1, 2050. The Series 2020A Bonds are also subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of $1,000, in any order of maturity and in whole or partial maturities, on September 1, 2025, and on any date thereafter, upon payment of the principal so redeemed and accrued interest thereon to the date of redemption, plus a redemption premium as follows:

3% of the amount redeemed from September 1, 2025 to August 31, 2026
2% of the amount redeemed from September 1, 2026 to August 31, 2027
1% of the amount redeemed from September 1, 2027 to August 31, 2028
Redemptions on and after September 1, 2028 are at par

Series 2020B Subordinate Limited Tax General Obligation Bonds
On August 27, 2020, the District issued $1,793,000 of Subordinate Limited Tax General Obligation Bonds (the "Series 2020B Bonds"). The Series 2020B Bonds were issued for the purposes of funding and reimbursing a portion of the costs of acquiring, constructing, and installing certain public improvements and paying the costs of issuance of the Series 2020B Bonds. The Series 2020B Bonds bear interest at the rate of 7.625%, payable annually on December 15, commencing on December 15, 2020, to the extent that Subordinate Pledged Revenue is available.

The Series 2020B Bonds are secured by Subordinate Pledged Revenues including the Subordinate Required Mill Levy (as defined in the Indenture of Trust for the Series 2020B Bonds or the "Series 2020B Indenture") which includes any revenue received by a payment in lieu of taxes ("PILOT") as a result of the imposition of the Subordinate Required Mill Levy, specific ownership taxes which are collected as a result of the imposition of the Subordinate Required Mill Levy, any amounts remaining in the Surplus Fund at such time as the Series 2020A Bonds are no longer outstanding under the Series 2020A Indenture and any other legally available moneys that the District determines, in its absolute discretion, to transfer to the Subordinate Indenture Trustee for application as Subordinate Pledged Revenue.

The Series 2020B Bonds are "cash flow" bonds meaning that no regularly scheduled principal payments are due prior to the maturity date, and interest not paid will accrue and compound until there is sufficient Subordinate Pledged Revenue for payment. In the event any amounts due and owing on the Series 2020B Bonds remain outstanding on December 16, 2060, such amounts shall be deemed discharged and shall no longer be due and outstanding.

Series 2021C(3) Junior Lien Limited Tax General Obligation Bonds
On November 12, 2021, the District terminated the Series 2020C(3) Bonds and issued $4,560,000 in Junior Lien Limited Tax General Obligation Bonds, Series 2021C(3), ("Series 2021C(3) Bonds) for the purpose of repaying the Property Owner for costs incurred on the construction of the infrastructure within the boundaries of the District. The Series 2021C(3) Bonds bear interest at 7.625%, payable annually on December 15, commencing on December 15, 2021, to the extent that Junior Lien Pledged Revenue is available. The Series 2021C(3) Bonds are subject to a mandatory redemption on December 15 of each year, upon payment of par and accrued interest, without redemption premium, solely from and to the extent of amounts in the Junior Lien Bond Fund. The Series 2021C (3) Bonds are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of $1,000, commencing on September 1, 2025, upon payment of the principal amount, accrued interest, and a redemption premium that ranges between 0% and 3%.

The Series 2021C(3) Bonds mature on December 15, 2052. The Series 2021C(3) Bonds are secured by Junior Lien Pledged Revenues including the Junior Lien Required Mill Levy (as defined in the Indenture of Trust for the Series 2021C(3) Bonds or the "Series 2021C(3) Indenture"), specific ownership taxes which is collected as a result of the Junior Lien Required Mill Levy and any other legally available moneys that the District determines, in its absolute discretion, to transfer to the Junior Lien Indenture Trustee for application as Junior Lien Pledged Revenue.

The Series 2021C(3) Bonds are "cash flow" bonds meaning that no regularly scheduled principal payments are due prior to the maturity date, and interest not paid will accrue and compound until there is sufficient Junior Lien Pledged Revenue for payment. In the event any amounts due and owing on the Series 2021C(3) Bonds remain outstanding on December 16, 2060, such amounts shall be deemed discharged and shall no longer be due and outstanding.

Series 2022D(3) Junior Subordinate Lien Limited Tax General Obligation Drawn Down Bonds
On April 27, 2022, for purposes of financing additional costs for infrastructure not previously financed with the Series 2020A Bonds, the Series 2020B Bonds, and the Series 2021C(3) Bonds, the District issued Junior Subordinate Lien Limited Tax General Obligation Drawn Down Bonds, Series 2022D(3) (the "Series 2022D(3) Bonds") with a total maximum principal of $4,727,000. The Series 2022D(3) Bonds earn interest at 6.875% and mature on December 15, 2060. The Series 2022D(3) Bonds are structured as draw-down obligations in order to finance or reimburse the costs of certain public improvements authorized by the Issuer's Service Plan and shall be payable solely from and to the extent of the Junior Subordinate Lien Pledged Revenue (as defined therein). There are no scheduled payments of principal or interest prior to the final maturity date. Junior Pledged Revenue are those revenues available after amounts are applied to the Series 2020A Senior Bonds, the Series 2020B Subordinate Bonds, and the Series 2021C(3) Junior Lien Bonds. As of December 31, 2022, $1,379,075 of the Series 2022D(3) Bonds were drawn upon and used to repay the Developer for capital costs incurred on behalf of the District.

To the extent interest on the Series 2022D(3) Bonds is not paid when due, such interest shall compound annually on each December 16. Upon the maturity date, if any principal and interest remain unpaid, the amounts shall be discharged and cancelled in their entirety. The Series 2022D(3) Bonds were cancelled as a result of the issuance of the Series 2023 Bonds (See Note 11).

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, as amended November 8, 2006, and November 14, 2007 ("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.

On October 14, 2019, 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 $27,000,000, 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 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.

On April 22, 2022, the District and the Property Owner entered into an Omnibus Agreement (the "Omnibus Agreement"). Pursuant to the Omnibus Agreement, the interest owed to the Property Owner under the PFA and the Acquisition Agreement was reduced from 8% to 6% as of April 22, 2022. This Omnibus Amendment also reduced the interest owed to the Property Owner under the Operation Agreement, as described below.

In 2022, the District repaid the Property Owner for advances made under the PFA and the Acquisition Agreement in the amount of $3,410,092, which consisted of $3,392,933 of principal and $18,019 of accrued interest. The remaining $9,521 of outstanding interest was forgiven by the Property Owner, and as of December 31, 2022, there were no outstanding amounts under the aggregate PFA and the Acquisition Agreements.

<u>Property Owner Advances - Operations</u>
On October 14, 2019, effective January 1, 2011, the District, and the Property Owner entered into a 2011-2020 Operation Funding Agreement, as amended on December 8, 2020 (the "First Amendment"), December 8, 2021(the "Second Amendment"), and December 2, 2022 (the "Third Amendment" and together with the First Amendment and Second Amendment, the "Operation Agreement"). Pursuant to the Operation Agreement the Property Owner agreed to advance funds necessary to fund the District's operations and maintenance expenses on a periodic basis as needed for fiscal years 2011 through 2023. Advances made under the Operation Agreement shall bear simple interest at a rate of 8% per annum from the date of deposit in the District's account, until paid. The Omnibus Amendment rescinded the language in the First Amendment, which retroactively reduced the interest owed to the Property Owner to be effective January 1, 2011. Pursuant to the Omnibus Agreement, the interest owed to the Property Owner under the Operation Agreement was reduced from 8% to 6% as of April 22, 2022.

The Operation Agreement was subsequently further amended on December 6, 2023 which resulted in a modification to the First Amendment, Second Amendment, and Third Amendment to reflect that any obligation of the District to the Property Owner shall expire on December 31, forty (40) years from the year each amendment was entered into (See Note 11). As a result of this change, the Operation Agreement shall expire on December 31, 2062 and any amount of principal and accrued interest outstanding on December 31, 2062 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, 2022, $293,331 of principal and $97,501 of accrued interest were outstanding under the Operation Agreement.

Notes to Financial Statements
December 31, 2022

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

	Balance - Restated 1/1/2022	Additions	Deletions	Balance 12/31/2022	Current Portion
General Obligation Bonds					
General Obligation Bonds Series 2020A	$ 15,920,000	$ -	$ -	$ 15,920,000	$ -
SubordinateGeneral Obligation Bonds Series 2020B	1,793,000	-	-	1,793,000	-
Subordinate General Obligation Bonds Series 2020B - Accrued Interest	187,129	150,987	-	338,115	-
SubordinateGeneral Obligation Bonds Series 2021C(3)	4,560,000	-	-	4,560,000	
SubordinateGeneral Obligation Bonds Series 2021C(3) - Accrued Interest	46,467	351,133	-	397,600	-
Junior Subordinate Lien Limited Tax General Obiligation Draw Down Bonds Series 2022D(3)	-	1,379,075	-	1,379,075	-
Bond premium - Series 2020A	118,492	-	5,595	112,897	-
Total	22,625,088	1,881,195	5,595	24,500,688	-
Other					
Developer Advance - Operating - Restated	222,921	70,410	-	293,331	-
Developer accrued interest - Operating - Restated	78,995	18,506	-	97,501	-
Developer Advance - Capital	714,248	2,678,685	3,392,933	-	-
Developer accrued interest - Capital	7,827	19,713	27,540	-	-
Total	1,023,991	2,787,314	3,420,473	390,832	-
Total Long-Term Liabilities	$ 23,649,079	$ 4,668,509	$ 3,426,068	$ 24,891,520	$ -

The following is a summary of the annual long-term debt principal and interest requirements for the Series 2020A Bonds.

	Principal	Interest	Total
2023	$ -	$ 808,675	$ 808,675
2024	-	808,675	808,675
2025	30,000	808,675	838,675
2026	200,000	807,175	1,007,175
2027	220,000	797,175	1,017,175
2028-2032	1,460,000	3,796,875	5,256,875
2033-2037	2,150,000	3,366,375	5,516,375
2038-2042	3,070,000	2,741,068	5,811,068
2043-2047	4,245,000	1,845,000	6,090,000
2048-2050	4,545,000	537,612	5,082,612
	$15,920,000	$16,317,305	$32,237,305

Because of the uncertainty of the timing of payments for the 2020B Bonds, the Series 2021C(3) Bonds, and the Series 2022D(3) Bonds, the summaries of the long-term debt principal and interest requirements are not presented.

Debt Authorization
As of December 31, 2022, the District had remaining voted debt authorization for the construction of improvements of approximately $237,000,000. Following the District's cancellation of the Series 2022D(3) Bonds (See Note 11), the voted debt authorization allocated to such bonds was adjusted and increased by an amount equal to the undrawn authorized amount resulting in a voted debt authorization of approximately $241,727,000.

Per the District's Service Plan, the District and District No. 2 shall have the authority to issue debt in the total aggregate amount not to exceed $27,000,000 (not including refunding debt). Following the issuance by the District of its Series 2022D(3) Bonds, there was no Service Plan debt limitation available as of December 31, 2022. Upon cancellation of the Series 2022D(3) Bonds, $4,727,000 was reinstated under the Service Plan debt limit. However, there is no remaining Service Plan debt limit available after District No. 2's issuance of its Series 2023 Bonds, with a par of up to $4,727,000 fully drawn (See Note 11).

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.

Note 6: Agreements

Water/Sewer Resource Credits Agreements
Pursuant to an Option Agreement, dated as of May 12, 2006, in a series of four closings between 2006 and 2008, the District purchased a total of 366 Water/Sewer Resource Credits ("Credits") from Second Creek Farm MD No. 1 using funds advanced by the Property Owner under the Project Funding and Reimbursement Agreements. These Credits were made available by the South Adams County Water and Sanitation District ("SACWSD"). No additional Credits are available under the Option Agreement. The District has since assigned some of the Credits and has purchased additional credits pursuant to the Water Resources Agreement described below.

Water Resources Agreement
96 Tower Investors, LLC (the "Property Owner") (the owner of property within the service area of the District) and SACWSD entered into a Water Resources Agreement on September 9, 2020, pertaining to the Property Owner's acquisition of 260 Large User Phase 4A water resources from SACWSD at the cost of $6,850 per Equivalent Residential Unit, ("ERU") to provide water service to the development within the service area of the District. SACWSD has a policy that it will not make Phase 4A ERUs available for sale until any existing ERUs (such as the ones owned by the District) have been fully utilized. The District executed the Water Resources Agreement (Phase 4A ERUS) to acknowledge that the Property Owner will not be entitled to acquire any additional Phase 4A ERUs, in excess of the 260 Large User Phase 4A ERUs, until such time as the District's 89.62 ERUs have been fully utilized, during 2020 all 89.62 ERU's have been sold. The District intends to make the District's ERUs available to property owners within the District for landscaping and other water needs associated with development of Property within the Districts' service area. During 2020, pursuant to the Resolution regarding Water Resources and Wastewater Connection Allocation Policy the District paid for 260 Phase 4A ERUs for $1,781,000 to be used within the boundary of the District to facilitate development.

Shared Improvements Agreement – Richmond American Homes
On July 22, 2020, the District entered into a Shared Improvements Agreement ("RAH Shared Improvements Agreement") with Richmond American Homes of Colorado, Inc., ("RAH"), which was also executed by Land Title Guarantee Company as escrow agent. RAH and Melody Homes, Inc. ("Melody") had agreed to purchase certain parcels of land ("RAH Parcel" and "Melody Parcel") within the District which are owned by the Property Owner. Certain infrastructure improvements ("Shared Improvements") are required for the development of the RAH Parcel, the Melody Parcel, and other property owned by Property Owner which is not being conveyed to either RAH or Melody ("Owner Parcel"). The Shared Improvements are to be jointly financed and constructed by the District and RAH. RAH and Melody each desired assurances that the Shared Improvements would be completed as the Shared Improvements are necessary for their intended use as a residential project. RAH agreed to construct, or cause to be constructed, certain improvements on the RAH Parcel ("RAH Improvements"). Those improvements associated with the Melody Parcel ("Melody Improvements"), will be the sole responsibility of the District or Melody, until such time as Melody purchases the Melody Parcel and assumes such obligations at its closing. If Melody fails to close on its acquisition of the Melody Parcel, the District shall have no obligation to construct the Melody Improvements.

RAH agreed to be responsible for the construction of the Shared Improvements. The RAH Shared Improvements Agreement estimated the costs to construct the Shared Improvements and identified the proportionate share attributable to the RAH, Melody, and the Owner. As a result, RAH deposited $2,001,971 into escrow. The District deposited $4,301,185 into escrow for payment of the costs of both the District's portion and Melody's portion of the Shared Improvements. At December 31, 2022. The Districts escrow balance has all been used for capital improvements.

Partial Assignment and Assumption Agreement of Shared Improvements Agreement

On December 29, 2020, concurrent with Melody acquiring certain real property from the Property Owner, Melody and the District entered into a Partial Assignment and Assumption Agreement of Shared Improvements Agreement ("Assignment"), which was also executed by Land Title Guarantee Company as escrow agent. Pursuant to the Assignment, the District assigned all of the District's obligations under the RAH Shared Improvements Agreement for a portion of the Melody Parcel ("Melody SFD Lots") to Melody. Melody assumed all of the District's obligations, rights, title and interest under the RAH Shared Improvements Agreement solely with respect to the Melody SFD Lots. Notwithstanding the foregoing, Melody acknowledged that it will be responsible for its portion of RAH's Draw Request No. 1. Based on a subsequent cost certification, it was determined that Melody's share of Filing No. 1 infrastructure was $1,966,270, which was reimbursed to the District in 2021.

Shared Improvements Agreement – Melody Homes

On December 29, 2020, the District entered into a Shared Improvements Agreement with Melody ("Melody Shared Improvements Agreement") regarding the Melody Parcel. Certain infrastructure improvements are required for the development of both the Melody Parcel and the 96 Tower Parcel (defined therein) ("Melody Shared Improvements"). Melody desired assurances that the Melody Shared Improvements would be completed as these improvements are necessary for its intended use as a residential project. Melody agreed to be responsible for the construction of the Melody Improvements and Property Owner is responsible for the 96 Tower Improvements. Melody agreed to be responsible for the construction of the Melody Shared Improvements. The Melody Shared Improvements Agreement estimated the costs to construct the Melody Shared Improvements and identified the proportionate share attributable to Melody and the District. As a result, Melody deposited $777,498 into escrow and District deposited $805,574 into escrow.

Amended and Restated Resolution Regarding the Imposition of System Development Fees

On January 18, 2021, the District adopted an amended and restated resolution imposing System Development Fees ("SDF fees") due and payable upon the earlier to occur (a) upon conveyance from the fee title owner to a third-party owner as of February 2, 2021, or (b) the issuance date of a building permit for any portion of any lot by Adams County. The SDF fees, at the District's discretion, may be used for costs associated with capital improvements, operations, and maintenance, and/or pledged for debt service payments. The SDF fees are $2,500 per Duplex Unit of Single-Family Detached Unit located on a lot; and $1,000 per Multi-Family Residential Unit. During 2022, the District collected $0 in SDF fees.

PILOT Covenant

On July 22, 2020, 96 Tower Investors, LLC as the Property Owner and Declarant, caused to be recorded a Declaration of Restrictions and Covenants ("PILOT Covenant") against all of the property within the District (except the Fronterra Parcels) and Settler's Crossing Metropolitan District No. 2; provided that only debt service mill levy revenues collected from the property within the District is pledged to the payment of the Series 2020A Bonds and Series 2020B Bonds (See Note 4).

Maintenance and License Agreement

On February 1, 2021, the District entered into a Maintenance and License Agreement ("Maintenance and License Agreement") with the Settler's Crossing Master Owners Association, Inc. ("Association") whereby the District granted the Association a license to operate and maintain certain Improvements.

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.

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.

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 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 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.

Note 10: Prior Period Adjustments

In 2022, it was discovered that a part of the Cost of Issuance funding from the Series 2022D(3) Bonds issuance (see Note 4), was applied to the prior year's legal invoices. It was also discovered that the Developer paid for certain engineering expenses on behalf of the District, subsequently, adjusting the beginning Long-Debt balances. Therefore, the beginning fund balance for the General Fund, beginning Long-term Debt Operating advances and the Statement of Activities are restated as follows:

		General Fund
Beginning Balance:	$	54,695
2021 engineering expenses		7,610
2021 legal expenses		38,535
Restated General Fund Beginning Balance:	$	100,840

		Long-Term Debt
Beginning Balance (aggregate):	$	294,278
Developer Advance - Operating		7,610
Developer accrued interest - Operating		28
Restated Beginning Balance (aggregate):	$	301,916

Note 11: Subsequent Events

Cost Sharing Intergovernmental Agreement

On January 24, 2023, the District and District No. 2 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 the District's Series 2020A Bonds, Series 2020B Bonds, Series 2021C(3) Bonds, and Series 2022D(3) Bonds (the "District'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 District No. 2 and thus should have been paid for by District No. 2. The Cost Sharing IGA provides that to the extent the proceeds of the District's Bonds paid any portion of the Initial Shared Improvements allocated or reallocated to District No. 2, then District No. 2 shall reimburse the District 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. 2 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, District No. 2 agrees to repay the District $3,995,734.73, as reflected in the Cost Share Report by: (a) refunding the amount of $1,379,075.42, which is the amount outstanding on the District's Series 2022D(3) Bonds and (b) incurring a District No. 1 Reimbursement Reduction (as defined in the Cost Sharing IGA) in the amount of $2,616,659.31.

The District acknowledges that any amounts owed by District No. 2 to the District for District Shared Improvements will be reduced by said $3,995,734.73 and therefore, as of the date of this Resolution, District No. 2 will have no outstanding amounts due to the District for District Shared Improvements previously paid by the District but allocable to District No. 2.

Termination of Series 2022D(3) Bonds

On January 24, 2023, the District adopted a resolution authorizing the cancellation of its Series 2022D(3) Bonds (see Note 4), concurrently upon District No. 2's issuance of Convertible Capital Appreciation Limited Tax General Obligation Refunding and Improvement Draw Down Bonds Series 2023, ("Series 2023 Bonds") with a par of up to $4,727,000 fully drawn and with an initial draw of $4,091,234.73. It was determined that the District paid for certain improvements which benefits District No. 2 exclusively. Therefore, per the Cost Sharing IGA, District No. 2 reimbursed the District $1,379,075 which was the balance of the Series 2022D(3) Bonds at December 31, 2022.

Fourth Amendment to 2011-2020 Operation Funding Agreement

On December 6, 2023, the District entered into the Fourth Amendment to 2011-2020 Operation Funding Agreement (the "Fourth Amendment") which modified the First Amendment, Second Amendment, and Third Amendment (see Note 4) to reflect that any obligation the District to reimburse the Property Owner shall expire on December 31, forty (40) years from the year each amendment was entered into.

SUPPLEMENTAL INFORMATION

SETTLER'S CROSSING METROPOLITAN DISTRICT NO. 1

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
DEBT SERVICE FUND
For the Year Ended December 31, 2022

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Property taxes	$ 95,308	$ 95,308	$ -
Specific ownership taxes	5,718	6,458	740
Interest income	3,163	36,554	33,391
Total Revenues	104,189	138,320	34,131
EXPENDITURES			
Bond interest expense	808,675	808,675	-
Treasurer's fees	1,430	-	1,430
Paying agent fees	10,000	10,500	(500)
Total Expenditures	820,105	819,175	930
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(715,916)	(680,855)	35,061
NET CHANGE IN FUND BALANCE	(715,916)	(680,855)	35,061
FUND BALANCE:			
BEGINNING OF YEAR	2,585,354	2,672,947	87,593
END OF YEAR	$ 1,869,438	$ 1,992,092	$ 122,654

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

SETTLER'S CROSSING METROPOLITAN DISTRICT NO. 1

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
CAPITAL PROJECTS FUND
For the Year Ended December 31, 2022

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Interest income	$ -	$ 1,000	$ 392	$ (608)
Total Revenues	-	1,000	392	(608)
EXPENDITURES				
Bond issuance costs	-	-	143,770	(143,770)
Capital outlay	-	2,262,006	2,729,539	(467,533)
Developer advances - principal	-	4,737,994	3,392,933	1,345,061
Developer advances - interest	-	-	18,019	(18,019)
Total Expenditures	-	7,000,000	6,284,261	715,739
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	(6,999,000)	(6,283,869)	715,131
OTHER FINANCING SOURCES (USES)				
Bond proceeds	-	-	1,379,075	1,379,075
Developer advances	-	5,021,976	2,784,000	(2,237,976)
Developer contributions	-	-	143,770	143,770
Total Other Financing Sources (Uses)	-	5,021,976	4,306,845	(715,131)
NET CHANGE IN FUND BALANCE	-	(1,977,024)	(1,977,024)	-
FUND BALANCE:				
BEGINNING OF YEAR	-	1,977,024	1,977,024	-
END OF YEAR	$ -	$ -	$ -	$ -

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

SETTLER'S CROSSING METROPOLITAN DISTRICT NO. 1

SUMMARY OF ASSESSED VALUATION, MILL LEVY
AND PROPERTY TAXES COLLECTED
December 31, 2022

Collection Year Ended December 31,	Assessed Valuation	Mills Levied		Total Property Tax		Percent Collected to Levied
		General Fund	Debt Service	Levied	Collected (1)	
2020	$ 38,640	63.664	0.000	$ 2,460	$ 2,460	100.00%
2021	$ 45,420	8.000	55.664	$ 2,892	$ 2,892	100.01%
2022	$ 1,712,200	8.000	55.664	$ 109,006	$ 109,006	100.00%
Estimated for year ending December 31, 2023	$ 5,953,720	8.000	55.299	$ 376,865		

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.

CONTINUING DISCLOSURE ANNUAL FINANCIAL INFORMATION – UNAUDITED

SETTLER'S CROSSING METROPOLITAN DISTRICT NO. 1

CONTINUING DISCLOSURE ANNUAL
FINANCIAL INFORMATION
December 31, 2022
(Unaudited)

History of District's Assessed Valuation and Mill Levies

Levy Year	Collection Year	Assessed Valuation	Percent Increase	General Fund Mill Levy	Debt Service Mill Levy	Total Mill Levy
2015	2016	$17,720	0.000%	0.000	0.000	0.000
2016	2017	$29,770	68.002%	0.000	0.000	0.000
2017	2018	$27,960	-6.080%	0.000	0.000	0.000
2018	2019	$30,410	8.763%	0.000	0.000	0.000
2019	2020	$38,640	27.063%	63.664	0.000	63.664
2020	2021	$45,420	17.547%	8.000	55.664	63.664
2021	2022	$1,712,200	3669.705%	8.000	55.664	63.664
2022	2023	$5,953,720	247.723%	8.000	55.299	63.299

History of Property Tax Collections

Levy Year	Collection Year	Taxes Levied	Current Tax Collections (1)	Current Collections as % of Tax Levied
2019	2020	2,460	2,460	100%
2020	2021	2,892	109,006	3770%
2021	2022	109,006	109,006	100%

(1) Figures are through December 31, 2022

2022 Assessed and Actual Valuation of Classes of Property in the District

Class	Assessed Valuation	Percent of Assessed Valuation	Actual Valuation	Percent of Actual Valuation
Residential	$ 179,390	3.01%	$ 2,580,643	11.47%
Vacant	5,684,350	95.48%	19,602,328	87.15%
Agricultural	930	0.02%	3,512	0.02%
State Assessed	8,180	0.14%	28,144	0.13%
Commerical	80,870	1.36%	278,835	1.24%
Total	$ 5,953,720	100.00%	$ 22,493,462	100.00%

Source: County Assessor's Office