

**MONUMENT JUNCTION
METROPOLITAN DISTRICT NO. 1
El Paso County, Colorado**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2022

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BiggsKofford

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors

Monument Junction Metropolitan District No. 1

El Paso County, Colorado

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2022, the respective changes in financial position, and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that

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

In performing an audit in accordance with auditing standards generally accepted in the United States of America, we:

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

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

Other Matters

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and

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

Other Information

Management is responsible for the other information, as identified in the table of contents. The other information does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or provide any assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

BiggsKofford, P.C.

Colorado Springs, Colorado
July 26, 2023

BASIC FINANCIAL STATEMENTS

MONUMENT JUNCTION METROPOLITAN DISTRICT NO. 1
STATEMENT OF NET POSITION
DECEMBER 31, 2022

	Governmental Activities
ASSETS	
Cash and Investments	\$ 3,320
Cash and Investments - Restricted	5,470,737
Prepaid Expense - Water Options	30,351
Property Taxes Receivable	2,644
Capital Assets, Not Being Depreciated	<u>6,423,352</u>
Total Assets	<u>11,930,404</u>
LIABILITIES	
Accounts Payable	15,093
Retainage Payable	94,359
Noncurrent Liabilities:	
Due in More Than One Year	<u>13,043,851</u>
Total Liabilities	<u>13,153,303</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Property Taxes	<u>2,644</u>
Total Deferred Inflows of Resources	<u>2,644</u>
NET POSITION	
Restricted For:	
Emergency Reserve	100
Unrestricted	<u>(1,225,643)</u>
Total Net Position	<u><u>\$ (1,225,543)</u></u>

See accompanying Notes to Basic Financial Statements.

**MONUMENT JUNCTION METROPOLITAN DISTRICT NO. 1
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022**

		Program Revenues			Net Revenues (Expenses) and Change in Net Position
FUNCTIONS/PROGRAMS	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
General Government	\$ 46,116	\$ -	\$ -	\$ -	\$ (46,116)
Interest and Related Costs on Long-Term Debt	709,977	-	-	-	(709,977)
Total Governmental Activities	\$ 756,093	\$ -	\$ -	\$ -	(756,093)
GENERAL REVENUES					
					115,702
					115,702
CHANGE IN NET POSITION					(640,391)
					(585,152)
NET POSITION - END OF YEAR					\$ (1,225,543)

See accompanying Notes to Basic Financial Statements.

**MONUMENT JUNCTION METROPOLITAN DISTRICT NO. 1
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2022**

	General	Debt Service	Capital Projects	Total Governmental Funds
ASSETS				
Cash and Investments	\$ 3,320	\$ -	\$ -	\$ 3,320
Cash and Investments - Restricted	100	-	5,470,637	5,470,737
Due from Other Funds	673	-	-	673
Prepaid Expense - Water Options	-	-	30,351	30,351
Property Taxes Receivable	441	2,203	-	2,644
	<u>\$ 4,534</u>	<u>\$ 2,203</u>	<u>\$ 5,500,988</u>	<u>\$ 5,507,725</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 9,428	\$ -	\$ 5,665	\$ 15,093
Due to Other Funds	-	-	673	673
Retainage Payable	-	-	94,359	94,359
Total Liabilities	<u>9,428</u>	<u>-</u>	<u>100,697</u>	<u>110,125</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred Property Taxes	441	2,203	-	2,644
Total Deferred Inflows of Resources	<u>441</u>	<u>2,203</u>	<u>-</u>	<u>2,644</u>
FUND BALANCES				
Nonspendable:				
Prepaid Expense	-	-	30,351	30,351
Restricted for:				
Emergency Reserve	100	-	-	100
Capital Projects	-	-	5,369,940	5,369,940
Unassigned:				
General Government	(5,435)	-	-	(5,435)
Total Fund Balances	<u>(5,335)</u>	<u>-</u>	<u>5,400,291</u>	<u>5,394,956</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 4,534</u>	<u>\$ 2,203</u>	<u>\$ 5,500,988</u>	

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the funds.

Capital Assets, Not Being Depreciated	1,913,250
Capital Assets, Water Rights/Options	4,510,102

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Bonds Payable	(12,258,000)
Developer Advance	(42,590)
Accrued Interest on Bonds Payable	(741,375)
Accrued Interest on Developer Advance	(1,886)
	<u>(13,043,851)</u>

Net Position of Governmental Activities	<u>\$ (1,225,543)</u>
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See accompanying Notes to Basic Financial Statements.

**MONUMENT JUNCTION METROPOLITAN DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2022**

	General	Debt Service	Capital Projects	Total Governmental Funds
REVENUES				
Interest Income	\$ 66	\$ -	\$ 115,636	\$ 115,702
Total Revenues	<u>66</u>	<u>-</u>	<u>115,636</u>	<u>115,702</u>
EXPENDITURES				
Current:				
Accounting	20,231	-	3,912	24,143
Auditing	4,825	-	-	4,825
Dues and Licenses	346	-	-	346
Election Expense	1,117	-	-	1,117
Insurance and Bonds	3,704	-	-	3,704
Legal Services	14,262	-	-	14,262
Website	1,631	-	-	1,631
Capital Projects:				
Engineering	-	-	22,167	22,167
Capital Outlay	-	-	1,887,171	1,887,171
Capital Outlay- Water Rights	-	-	4,467,610	4,467,610
Capital Outlay - Water Options	-	-	42,492	42,492
Total Expenditures	<u>46,116</u>	<u>-</u>	<u>6,423,352</u>	<u>6,469,468</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(46,050)	-	(6,307,716)	(6,353,766)
OTHER FINANCING SOURCES (USES)				
Developer Advance	42,590	-	-	42,590
Total Other Financing Sources (Uses)	<u>42,590</u>	<u>-</u>	<u>-</u>	<u>42,590</u>
NET CHANGE IN FUND BALANCES	(3,460)	-	(6,307,716)	(6,311,176)
Fund Balances (Deficit) - Beginning of Year	<u>(1,875)</u>	<u>-</u>	<u>11,708,007</u>	<u>11,706,132</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ (5,335)</u>	<u>\$ -</u>	<u>\$ 5,400,291</u>	<u>\$ 5,394,956</u>

See accompanying Notes to Basic Financial Statements.

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

Net Change in Fund Balances - Governmental Funds \$ (6,311,176)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. In the statement of activities, capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense the allocation of the cost of any depreciable asset over the estimated useful life of the asset. Therefore, this is the net capital outlay activity for the year:

Capital Outlay 6,423,352

Long-term debt (e.g., bonds, Developer advances) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of long-term debt and related items is as follows:

Developer Advance (42,590)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Accrued Interest on Developer Advances - Change in Liability (1,886)

Accrued Interest on Bonds - Change in Liability (708,091)

Changes in Net Position of Governmental Activities \$ (640,391)

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

	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Interest Income	\$ -	\$ 66	\$ 66
Total Revenues	-	66	66
EXPENDITURES			
Accounting	10,000	20,231	(10,231)
Auditing	-	4,825	(4,825)
District Management	1,500	-	1,500
Dues and Licenses	-	346	(346)
Election Expense	-	1,117	(1,117)
Insurance and Bonds	2,500	3,704	(1,204)
Legal Services	20,000	14,262	5,738
Website	-	1,631	(1,631)
Miscellaneous	1,000	-	1,000
Contingency	15,000	-	15,000
Total Expenditures	50,000	46,116	3,884
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	(50,000)	(46,050)	3,950
OTHER FINANCING SOURCES (USES)			
Developer Advances	50,000	42,590	(7,410)
Total Other Financing Sources (Uses)	50,000	42,590	(7,410)
NET CHANGE IN FUND BALANCE	-	(3,460)	(3,460)
Fund Balance (Deficit) - Beginning of Year	-	(1,875)	(1,875)
FUND BALANCE (DEFICIT) - END OF YEAR	\$ -	\$ (5,335)	\$ (5,335)

See accompanying Notes to Basic Financial Statements.

MONUMENT JUNCTION METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 DEFINITION OF REPORTING ENTITY

Monument Junction Metropolitan District No. 1 (the District), a quasi-municipal corporation and a political subdivision of the State of Colorado, was organized by order and decree of the District Court for El Paso County, Colorado on November 5, 2021, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The Service Plan, dated July 14, 2021, approved by the Town of Monument on August 2, 2021 formed the Monument Junction Metropolitan Districts No. 1 and No. 2 (the Districts). The District was organized to provide planning, acquisition, construction, installation and financing of public improvements, including streets, water, wastewater, traffic and safety, park and recreation, mosquito control, television relay and transportation facilities, primarily for residential and commercial development.

The District was organized in conjunction with Monument Junction Metropolitan District No. 2 (District No. 2) to serve the needs of the Monument Junction development for the purpose of financing, construction and operation of improvements and infrastructure serving the two districts. The District is responsible for managing the construction, operation and maintenance of all improvements not transferred to the Town of Monument. District No. 2 is responsible for providing the funding and tax base needed to support the financing plan for capital improvements and to fund ongoing operations.

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

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The more significant accounting policies of the District are described as follows:

Government-Wide and Fund Financial Statements

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

MONUMENT JUNCTION METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes and specific ownership taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. The District determined that Developer advances are not considered as revenue susceptible to accrual. Expenditures, other than interest on long-term obligations are recorded when the liability is incurred or the long-term obligation is due.

The District reports the following major governmental funds:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term debt.

The Capital Projects Fund is used to account for financial resources to be used for the acquisition and construction of capital equipment and facilities.

MONUMENT JUNCTION METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

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

Pooled Cash and Investments

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

Equity

Net Position

For government-wide presentation purposes when both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

Fund Balance

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned, and unassigned. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

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

Restricted Fund Balance – The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.

Committed Fund Balance – The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.

**MONUMENT JUNCTION METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity (Continued)

Fund Balance (Continued)

Assigned Fund Balance – The portion of fund balance that is constrained by the government’s intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.

Unassigned Fund Balance – The residual portion of fund balance that does not meet any of the criteria described above.

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

Deficit

The General Fund reported a deficit in the fund financial statements as of December 31, 2022. The deficit will be eliminated with the receipt of funds advanced by the Developer in 2023.

NOTE 3 CASH AND INVESTMENTS

Cash and investments as of December 31, 2022, are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and Investments	\$ 3,320
Cash and Investments - Restricted	5,470,737
Total Cash and Investments	\$ 5,474,057

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

Deposits with Financial Institutions	\$ 3,420
Investments	5,470,637
Total Cash and Investments	\$ 5,474,057

Deposits with Financial Institutions

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 102% of the aggregate uninsured deposits.

**MONUMENT JUNCTION METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Deposits with Financial Institutions (Continued)

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

At December 31, 2022, the District's cash deposits had a bank balance and a carrying balance of \$3,420.

Investments

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments.

The District generally limits its concentration of investments to those noted with an asterisk (*) below, which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk or investment custodial risk disclosure requirements for investments that are in the possession of another party.

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

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

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

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted-Average Under 60 Days	<u>\$ 5,470,637</u>

**MONUMENT JUNCTION METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

COLOTRUST

The District invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust currently offers three portfolios – COLOTRUST PRIME, COLOTRUST PLUS+, and COLOTRUST EDGE.

COLOTRUST PRIME and COLOTRUST PLUS+, which operate similarly to a money market fund and each share is equal in value to \$1.00, offer daily liquidity. Both portfolios may invest in U.S. Treasury securities 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 any security allowed under CRS 24-75-601.

COLOTRUST EDGE, a variable Net Asset Value (NAV) Local Government Investment Pool, offers weekly liquidity and is managed to approximate a \$10.00 transactional share price. COLOTRUST EDGE may invest in securities authorized by Section 24-75-601.1, C.R.S., including U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies, and highest rated commercial paper.

A designated custodial bank serves as custodian for the Trust’s portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust’s investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian’s internal records segregate investments owned by the Trust. COLOTRUST PRIME and COLOTRUST PLUS+ are rated AAAm by Standard & Poor’s. COLOTRUST EDGE is rated AAaf/S1 by FitchRatings. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST at net asset value as determined by fair value. There are no unfunded commitments, the redemption frequency is daily or weekly, and there is no redemption notice period.

NOTE 4 CAPITAL ASSETS

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

	Balance - December 31, 2021	Increases	Decreases	Balance - December 31, 2022
Capital Assets, Not Being Depreciated:				
Construction in Progress	\$ -	\$ 1,913,250	\$ -	\$ 1,913,250
Water Rights	-	4,510,102	-	4,510,102
Total Capital Assets, Not Being Depreciated	<u>\$ -</u>	<u>\$ 6,423,352</u>	<u>\$ -</u>	<u>\$ 6,423,352</u>

MONUMENT JUNCTION METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 5 LONG-TERM OBLIGATIONS

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

	Balance December 31, 2021	Additions	Retirements	Balance December 31, 2022	Due Within One Year
Bonds Payable:					
Series 2021A Bonds	\$ 12,258,000	\$ -	\$ -	\$ 12,258,000	\$ -
Accrued Interest	33,284	708,091	-	741,375	-
Bonds Payable Subtotal	<u>12,291,284</u>	<u>708,091</u>	<u>-</u>	<u>12,999,375</u>	<u>-</u>
Loans and Notes from Direct Borrowing and Direct Placements:					
Developer Advances:					
Principal - Operations	-	42,590	-	42,590	-
Developer Advance Interest:					
Interest - Operations	-	1,886	-	1,886	-
Loans and Notes Payable Subtotal	<u>-</u>	<u>44,476</u>	<u>-</u>	<u>44,476</u>	<u>-</u>
Total Long-Term Obligations	<u>\$ 12,291,284</u>	<u>\$ 752,567</u>	<u>\$ -</u>	<u>\$ 13,043,851</u>	<u>\$ -</u>

The details of the District's general obligation bonds outstanding during 2022 are as follows:

General Obligation Limited Tax Bonds, Series 2021A (the Bonds)

Bond Proceeds

The District issued the Bonds on December 14, 2021, in the par amount of \$12,258,000. Proceeds from the sale of the Bonds were used for the purposes of (i) financing or reimbursing a portion of the costs of designing, acquiring, constructing, relocating, installing, completing, and providing certain public infrastructure improvements relating to the Development; and (ii) paying costs of issuance of the Bonds.

Pledge Agreement

The District, Monument Junction Metropolitan District No. 2 (the Pledge District) and the Trustee have entered into a Capital Pledge Agreement (the Pledge Agreement) to provide ad valorem property tax revenue derived from the taxable property of the Pledge District and other revenue received and to be received by the Pledge District in order to pay, in combination with revenue of the District, the debt service on the Bonds.

MONUMENT JUNCTION METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Details of the Bonds

The Bonds bear interest at the rate of 5.750% per annum and are payable annually on December 1, beginning on December 1, 2022, but only to the extent of available Pledged Revenue. The Bonds mature on December 1, 2051 and are subject to mandatory redemption to the extent of available Pledged Revenue.

The Bonds are structured as cash flow bonds meaning that there are no scheduled payments of principal or interest prior to the maturity date. Unpaid interest on the Bonds compounds annually on December 1. In the event any amounts due and owing on the Bonds remain outstanding on December 2, 2061, such amounts shall be deemed discharged and no longer due and outstanding.

Optional Redemption

The Bonds are subject to redemption prior to maturity, at the option of the District, on December 1, 2026, and on any date thereafter, upon payment of par, accrued interest, and a redemption premium equal to a percentage of the principal amount so redeemed as follows:

<u>Date of Redemption</u>	<u>Redemption Premium</u>
December 1, 2026, to November 30, 2027	3.00%
December 1, 2027, to November 30, 2028	2.00
December 1, 2028, to November 30, 2029	1.00
December 1, 2029, and thereafter	0.00

Pledged Revenue

The Bonds are secured by and payable from moneys derived by the District from the following sources: (a) the Required Mill Levy; (b) the Pledged Public Improvement Fees; (c) the Pledged Fees; (d) the portion of the Specific Ownership Tax which is collected as a result of the imposition of the Required Mill Levy; and (e) any other legally available moneys which the District determines, in its absolute discretion, to transfer to the Trustee for application as Pledged Revenue.

Required Mill Levy

The District is required to impose an ad valorem mill levy, the Required Mill Levy, upon all taxable property of the District each year in the amount of 50 mills (subject to adjustment for changes in the ratio between market value and assessed value of taxable property with the District that would cause a reduction in the revenue otherwise produced from such maximum mill levy on or after January 1, 2021) or such lesser mill levy which is sufficient to pay all of the principal of and interest on the Bonds in full.

MONUMENT JUNCTION METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Pledged Revenue (Continued)

Pledged Public Improvement Fees

The Developer has recorded a Declaration of Covenants Imposing and Implementing the Monument Junction Public Improvement Fee (PIF) on the PIF Property which is generally defined as the anticipated commercial development in the District. A PIF of 1% is imposed on all PIF Sales occurring within the PIF Property. Pledged PIF are the PIF Revenues received in each Bond Year up to but not exceeding the Public Improvement Fee Cap and are net of any costs of collection; provided, however, Pledged Public Improvement Fees may be used for such other legally available purposes as the District may determine without being subject to the Public Improvement Fee Cap. Public Improvement Fee Cap means, for each Bond Year, an amount equal to 50% of the scheduled debt service due on the Bonds in such Bond Year.

Pledged Fees

Pledged Fees means the moneys derived from the Pledge District Capital Revenue as imposed pursuant to the Pledge Agreement. Pledge District Capital Revenue means the moneys derived from the following sources: (1) the Mandatory Capital Levy; and (2) the portion of the Specific Ownership Tax which is collected as a result of imposition of the Mandatory Capital Levy.

The District has covenanted, for so long as the Bonds are outstanding, to cause to be levied on all of the taxable property of the Pledge District, the amount of the Mandatory Capital Levy. Mandatory Capital Levy means an ad valorem mill levy imposed on all taxable property of the Pledge District each year in the amount of 40 mills (subject to adjustment for changes in the ratio between market value and assessed value of taxable property with the Pledge District that would cause a reduction in the revenue otherwise produced from such maximum mill levy on or after January 1, 2021) or such lesser mill levy which is sufficient to pay all of the principal of and interest on the Bonds, and any Refunding Obligations thereof, in full for so long as the Bonds (or any Refunding Obligations thereof) are outstanding. The Mandatory Capital Levy is net of the collection costs of the County and any tax refunds or abatements authorized by or on behalf of the County.

Events of Default

The occurrence of any one or more of the following events or the existence of any one or more of the following conditions shall constitute an event of default under the Indenture:

- i. The District fails or refuses to impose the required mill levy or to apply the pledged revenue as provided in the indenture.
- ii. The District defaults in the performance or observance of any other of the covenants, agreements, or conditions on the part of the District in the indenture or the bond resolution, other than as described in paragraph (i) above and fails to remedy the same after notice thereof pursuant to the indenture.
- iii. The District files a petition under the federal bankruptcy laws or other applicable bankruptcy laws seeking to adjust the obligation represented by the bonds.

MONUMENT JUNCTION METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Events of Default (Continued)

It is acknowledged that due to the limited nature of the pledged revenue, the failure to pay the principal of or interest on the Bonds when due shall not, of itself, constitute an event of Default under the Indenture.

Upon the occurrence and continuance of an event of default, the trustee has the following rights and remedies which may be pursued:

- i. Receivership: Upon the filing of a bill in equity or other commencement of judicial proceedings to enforce the rights of the trustee and of the owners, the trustee is entitled to as a matter of right to the appointment of a receiver or receivers of the trust estate, and of the revenues, income, product, and profits there of pending such proceedings, subject however, to constitutional limitations inherent in the sovereignty of the District; but not withstanding the appointment of any receiver or other custodian, the trustee is to be entitled to the possession and control of any cash, securities, or other instruments at the time held by, or payable or deliverable under the provisions of the indenture to the trustee.
- ii. Suit for judgment: The trustee may proceed to protect and enforce its rights and the rights of the owners by suit, action, or special proceedings as the trustee, being advised by counsel, deems appropriate.
- iii. Mandamus or other suit: The trustee may proceed by mandamus or any other suit, action, or proceeding at law or in equity, to enforce all rights of the owners.

No Acceleration

Notwithstanding the foregoing or anything else herein to the contrary, acceleration shall not be an available remedy for an Event of Default.

As of December 31, 2022, the District was not in default.

Bonds Debt Service

The annual debt service requirements of the Bonds are not currently determinable since they are payable only from available Pledged Revenue.

Developer Advances

Effective November 22, 2021, the District entered into a Reimbursement Agreement (Agreement) with Monument Junction Metropolitan District No.1 and No. 2 and Elite Properties of America, Inc (the Developer) that will allow the Developer to advance the District funds necessary to construct and complete public improvements, which will be constructed and completed by the District. The Developer, in its sole discretion may, but shall not be obligated to, advance funds to the District to pay the costs of public improvements and any management, operating, and administrative expenses. Any sums advanced to the District or on behalf of the District prior to the date of this Agreement shall be considered advances pursuant to this Agreement.

**MONUMENT JUNCTION METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Developer Advances (Continued)

The District agrees to repay the Developer along with a simple interest of 8% from the date of the advance or, in the event the Developer has paid construction or acquisition costs directly for public improvements constructed by third parties, such costs shall bear said interest from the date the completed improvements are accepted by the District. The Agreement does not constitute “debt” or a “multiple-fiscal year direct or indirect District debt or other financial obligations” within the meaning of the Colorado Constitution or any other Colorado law, and shall not constitute the District’s pledge of funds from any specific source except as contemplated in the Agreement, including: 1) bond or note proceeds, 2) imposition of fees, charges, and general ad valorem taxes, and 3) the creation and maintenance of reserve and contingency funds. As of December 31, 2022, outstanding Developer advances totaled \$42,590 with accrued-interest totaling \$1,886.

Debt Authorization

On November 2, 2021, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$1,190,000,000 for infrastructure improvements and operations, such debt to bear interest at a rate not in excess of 12% per annum. At December 31, 2022, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

	Amount Authorized on November 2, 2021	Authorization Used for Series 2021A Bonds	Authorized But Unissued
Streets	\$ 70,000,000	\$ 5,716,654	\$ 64,283,346
Water	70,000,000	4,090,131	65,909,869
Sanitation	70,000,000	662,729	69,337,271
Parks and Recreation	70,000,000	1,788,486	68,211,514
Traffic and Safety	70,000,000	-	70,000,000
Television Relay	70,000,000	-	70,000,000
Mosquito Control	70,000,000	-	70,000,000
Transportation	70,000,000	-	70,000,000
Security	70,000,000	-	70,000,000
Business Recruitment	70,000,000	-	70,000,000
Fire Protection	70,000,000	-	70,000,000
Operations and Maintenance	70,000,000	-	70,000,000
Revenue Debt	70,000,000	-	70,000,000
Special Assessment Debt	70,000,000	-	70,000,000
Reimbursement Agreements	70,000,000	-	70,000,000
Debt Refunding	140,000,000	-	140,000,000
Total	<u>\$ 1,190,000,000</u>	<u>\$ 12,258,000</u>	<u>\$ 1,177,742,000</u>

**MONUMENT JUNCTION METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Debt Authorization (Continued)

Pursuant to the Consolidated Service Plan, the combined Monument Junction Metropolitan District No.1 and Monument Junction Metropolitan District No. 2 are only permitted to issue debt up to \$37,000,000. In the future, the District may issue a portion or all of the remaining authorized but unissued general obligation debt for purposes of providing public improvements to support development as it occurs within the District’s service area.

NOTE 6 NET POSITION

The District has net position consisting of two components – restricted, and unrestricted.

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

Restricted Net Position:	
Emergency Reserves	\$ 100
Total Restricted Net Position	\$ <u>100</u>

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

NOTE 7 RELATED PARTIES

The Developer of the property which constitutes the District is Elite Properties of America, Inc. Certain members of the Board of Directors are officers of, employees of, or associated with the Developer and may have conflicts of interest in dealing with the District. See Note 5 concerning advances made by the Developer.

NOTE 8 INTERFUND BALANCES

The District reports interfund balances that are representative of lending/borrowing arrangements between funds in the fund financial statements as due to/from other funds. The interfund balances have been eliminated in the government-wide statements.

MONUMENT JUNCTION METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 9 RISK MANAGEMENT

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

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool). The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in the past three fiscal years.

The District pays annual premiums to the Pool for liability, property and public officials' liability coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

NOTE 9 TAX, SPENDING, AND DEBT LIMITATIONS

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

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.

On November 2, 2021, a majority of the District's electors passed an election question to increase the property taxes \$10,000,000 annually to pay the District's operations, maintenance, and other expenses. Additionally, the District's electors authorized the District to collect, retain, and spend all revenues without regard to any limitations under TABOR.

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.

SUPPLEMENTARY INFORMATION

**MONUMENT JUNCTION METROPOLITAN DISTRICT NO. 1
DEBT SERVICE FUND – SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2022**

	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Total Revenues	\$ -	\$ -	\$ -
EXPENDITURES			
Paying Agent Fees	4,000	-	4,000
Total Expenditures	4,000	-	4,000
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	(4,000)	-	4,000
OTHER FINANCING SOURCES (USES)			
Developer Advances	4,000	-	(4,000)
Total Other Financing Sources (Uses)	4,000	-	(4,000)
NET CHANGE IN FUND BALANCE	-	-	-
Fund Balance - Beginning of Year	-	-	-
FUND BALANCE - END OF YEAR	\$ -	\$ -	\$ -

**MONUMENT JUNCTION METROPOLITAN DISTRICT NO. 1
CAPITAL PROJECTS FUND – SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2022**

	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Interest Income	\$ -	\$ 115,636	\$ 115,636
Total Revenues	-	115,636	115,636
EXPENDITURES			
Accounting	5,000	3,912	1,088
Engineering	15,000	22,167	(7,167)
Capital Outlay	12,665,760	1,887,171	10,778,589
Capital Outlay - Water Rights	-	4,467,610	(4,467,610)
Capital Outlay - Water Options	-	42,492	(42,492)
Total Expenditures	12,685,760	6,423,352	6,262,408
NET CHANGE IN FUND BALANCES	(12,685,760)	(6,307,716)	6,378,044
Fund Balance - Beginning of Year	12,685,760	11,708,007	(977,753)
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ 5,400,291</u>	<u>\$ 5,400,291</u>

OTHER INFORMATION

**MONUMENT JUNCTION METROPOLITAN DISTRICT NO. 1
 SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED
 DECEMBER 31, 2022**

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied		Total Property Taxes		Percentage Collected to Levied
		General	Debt Service	Levied	Collected	
2022	\$ -	10.000	50.000	\$ -	\$ -	0.00%
Estimated for the year ending December 31, 2023	\$ 44,070	10.000	50.000	\$ 2,644		

Note:

Property taxes shown as collected in any one year include collection of delinquent property taxes or of property taxes assessed in prior years. This presentation does not attempt to identify specific years of assessment.