

SWEETGRASS METROPOLITAN DISTRICT NOS. 1, 2 AND 3

2022 CONSOLIDATED ANNUAL REPORT

Pursuant to §32-1-207(3)(c) and Section VI of the 2021 Amended and Restated Consolidated Service Plan for Sweetgrass Metropolitan District Nos. 1, 2 and 3 (collectively the “**Districts**”), the Districts are required to provide an annual report to the City of Dacono with regard to the following matters:

For the year ending December 31, 2022, the Districts make the following report:

§32-1-207(3) Statutory Requirements

1. Boundary changes made.

An Order for Inclusion was granted for District No. 1 in 2022, Rec#: 4834444. Orders for Exclusion were granted for District Nos. 2 & 3 in 2022, Rec #: 4834445 and Rec #: 4834446. The boundary changes were internal involving certain property being excluded from District Nos. 2 and 3 and included into District No. 1 as contemplated by the 2021

2. Intergovernmental Agreements entered into or terminated.

The Districts did not enter into or terminate any Intergovernmental Agreements in 2022.

3. Access information to obtain a copy of rules and regulations adopted by the board.

The Districts have not yet adopted any rules and regulations.

4. A summary of litigation involving public improvements owned by the Districts.

To our actual knowledge, based on review of the court records in Weld County, Colorado and the Public Access to Court Electronic Records (PACER), there is no litigation involving the Districts’ public improvements as of December 31, 2022.

5. Status of the construction of public improvements by the Districts.

The construction of public improvements is ongoing. Annual infrastructure expenditures are driven by local housing market conditions and its effect on demand for public infrastructure.

6. A list of facilities or improvements constructed by the Districts that were conveyed or dedicated to the county or municipality.

Sweetgrass Parkway roadway improvements from Filing 4 to York Street (Weld County Road 11)

York Street (Weld County Road 11) Phase 2 roadway improvements from Filing 1 to Weld County Road 10

Sweetgrass Filing 4 sanitary sewer and storm sewer infrastructure improvements

7. The final assessed valuation of the Districts as of December 31st of the reporting year.

Weld County indicated assessed valuations as follows:

District No. 1: \$40

District No. 2: \$12,249,895.10 (Net)

District No. 3: \$2,372,987.80 (Net)

8. A copy of the current year's budget.

*A copy of the 2023 Budgets are attached hereto as **Exhibit A**.*

9. A copy of the audited financial statements, if required by the "Colorado Local Government Audit Law", part 6 of article 1 of title 29, or the application for exemption from audit, as applicable.

*The 2022 Audits for District Nos. 1 and 2 and the 2022 Audit Exemption Application for District No. 3 are attached hereto as **Exhibit B**.*

10. Notice of any uncured defaults existing for more than ninety (90) days under any debt instrument of the Districts.

To our actual knowledge, there were no events of default in the reporting year.

11. Any inability of the Districts to pay their obligations as they come due under any obligation which continues beyond a ninety (90) day period.

None.

Service Plan Requirements

12. Any alteration or revision of the proposed schedule of Debt issuance set forth in the Financing Plan.

None.

EXHIBIT A
2023 Budget

**SWEETGRASS METROPOLITAN DISTRICT NO. 1
GOVERNMENTAL FUND**

	2021		2022		2023 BUDGET		
	Actual Final	Original Budget	Amended Budget (if applicable)	Projected Final	General Fund Budget	Debt Service Budget	Total Budget
REVENUES							
Taxes							
Property	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2	\$ -	\$ 2
Specific ownership	0	0	0	0	0	-	0
TIF	-	-	-	-	-	-	-
Intergovernmental							
Transfers from Sweetgrass MD No. 2	256,000	-	155,000	155,000	-	-	-
Transfers from Sweetgrass MD No. 3	40,000	40,000	17,500	17,500	50,000	-	50,000
Investment income	115	-	24	24	-	-	-
Other	-	-	208,802	208,802	-	-	-
Total revenue	\$ 296,118	\$ 40,002	\$ 381,328	\$ 381,328	\$ 50,002	\$ -	\$ 50,002
EXPENDITURES							
Current							
County Treasurer's fees	0	0	0	0	0	-	0
Letter of credit fees	21,920	21,980	4,411	4,411	4,400	-	4,400
Insurance	3,520	3,500	3,257	3,257	3,500	-	3,500
Accounting	22,990	20,000	21,170	21,170	20,000	-	20,000
Audit	12,075	13,000	12,075	12,075	14,000	-	14,000
Legal	30,937	20,000	35,269	35,269	25,000	-	25,000
Director fees	60	60	60	60	60	-	60
Other	1,545	10,000	1,236	1,236	5,000	-	5,000
Subtotal current	93,047	88,540	77,479	77,479	71,960	-	71,960
Capital outlay							
Work in process	1,293,444	400,000	145,811	145,811	25,000	-	25,000
Subtotal capital outlay	1,293,444	400,000	145,811	145,811	25,000	-	25,000
Intergovernmental							
Transfers to Sweetgrass MD No. 2	67,609	43,250	4,551,267	4,551,267	-	-	-
Transfers to Sweetgrass MD No. 3	7,719	14,250	8,999	8,999	11,000	-	11,000
Subtotal intergovernmental	75,328	57,500	4,560,265	4,560,265	11,000	-	11,000
Debt Service							
Issuance costs	-	-	167,500	167,500	-	-	-
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Subtotal debt service	-	-	167,500	167,500	-	-	-

Total expenditures	\$ 1,461,819	\$ 546,040	\$ 4,951,055	\$ 4,951,055	\$ 107,960	\$ -	\$ 107,960
(DEFICIENCY) OF REVENUE OVER EXPENDITURES	\$ (1,165,701)	\$ (506,037)	\$ (4,569,727)	\$ (4,569,727)	\$ (57,958)	\$ -	\$ (57,958)
OTHER FINANCING SOURCES							
Debt proceeds	-	-	4,624,030	4,624,030	-	-	-
Developer Advances received	-	-	-	-	-	-	-
Change in working capital (AR & AP)	456,637	-	(557,979)	(557,979)	-	-	-
Total other financing sources	\$ 456,637	\$ -	\$ 4,066,052	\$ 4,066,052	\$ -	\$ -	\$ -
NET CHANGE IN FUND BALANCE	(709,064)	(506,037)	(503,675)	(503,675)	(57,958)	-	(57,958)
FUND BALANCE - BEGINNING OF YEAR	1,277,372	554,815	568,308	568,308	67,523	-	67,523
FUND BALANCE - END OF CURRENT PERIOD	\$ 568,308	\$ 48,778	\$ 64,633	\$ 64,633	\$ 9,565	\$ -	\$ 9,565

SWEETGRASS MD NO. 1 2023 REVENUE PROJECTION	2022 AV, Collected in 2023		
	Certified Assessed Value	Total Mill Levy	Ad Valorem Revenue
Vacant Land	-	57.220	-
Residential	-	57.220	-
Commercial	-	57.220	-
Agricultural	40	57.220	2.29
Oil & Gas	-	57.220	-
State Assessed	-	57.220	-
	\$ 40	57.220	\$ 2.29

2023 MILL LEVY APPROPRIATION	Levy Appropriation	Ad Valorem Revenue	S.O. Revenue	Treasurer's
				Fees
General Fund	57.220	2.29	0.11	0.03
Debt Service	0.000	-	-	-
	57.220	\$ 2.29	\$ 0.11	\$ 0.03

SWEETGRASS METROPOLITAN DISTRICT NO. 1

2023 BUDGET

SUMMARY OF SIGNIFICANT ASSUMPTIONS

Services Provided

In accordance with its Service Plan, Sweetgrass Metropolitan District No. 1 (the "District"), was formed to manage the administration, operation, maintenance, construction, acquisition and installation of public improvements within the property known as "Sweetgrass", located in Dacono, Colorado. Public improvements include, but are not limited to, storm drainage, water, sewer, utilities, streets, traffic and safety controls, and parks and recreation improvements.

The Service Plan, as amended and restated in 2021, provides the ability for the District to impose a maximum mill levy for the combined debt service and operational and maintenance requirements of the District. The Service Plan also provides limits on the issuance of general obligation debts for District Nos. 1 and 3 of \$47,000,000 and District No. 2 of \$11,500,000.

On Jun 16, 2022, the District issued the (i) Series 2022B, Subordinate General Obligation Limited Tax Bonds in the aggregate principal amount not to exceed of \$51,500,000 (the "2022B Subordinate Bonds") for the purposes of financing public improvements and paying costs of issuance in connection with the 2022B Subordinate Bonds. The outstanding principal balance as of December 31, 2022 is \$4,624,030.

The District prepares its budget on the modified accrual basis of accounting and the budget has been adopted after proper postings, publications and public hearing.

Revenue

Transfers from District No. 3

The District expects to receive revenues of approximately \$50,000 from District No. 3, derived from ad valorem property taxes collected by the District No. 3.

Ad Valorem Property Taxes

The primary source of revenue for the District is property taxes. Property taxes are assessed and collected based upon the assessed value of all of the non-exempt property located within the District. The District adopts mill levies for debt service and for operations which, when combined with the District's other sources of revenue, provide sufficient resources to pay the required debt service (if any), capital purchases and the estimated costs of operations for the calendar year.

Pursuant to the Service Plan and the Gallagher Amendment, the maximum mill levy limit is 57.220 mills in 2023. The District adopted a mill levy of 57.220 mills for general fund expenditures in 2023.

The total taxable assessed valuation within the District in 2022 was \$40, the same valuation as the 2021 valuation.

Specific Ownership Tax

Specific ownership tax revenue is collected on annual motor vehicle registrations within Weld County and is distributed based upon the proportion of property taxes levied within the County during the preceding calendar year. The specific ownership tax revenue is estimated to be 5.00% of the ad valorem property taxes collected in 2023.

Expenditures

Administrative

Administrative expenditures have been estimated based upon the level of expenditures incurred by the District in prior years.

Capital Outlay

The District anticipates expenditures of \$25,000 for capital improvements in 2023.

Reserve Funds

The District has provided for an emergency reserve equal to \$9,565, which is intended for use on any unanticipated expenditures in 2023. Such emergency reserve is an integral part of the Ending Fund Balance.

Leases

The District has no operating or capital leases.

**SWEETGRASS METROPOLITAN DISTRICT NO. 2
GOVERNMENTAL FUND**

	2021		2022		2023 BUDGET		
	Actual Final	Original Budget	Amended Budget (if applicable)	Projected Final	General Fund Budget	Debt Service Budget	Total Budget
REVENUE							
Taxes							
Property	\$ 627,934	\$ 652,770	\$ 653,038	\$ 653,038	\$ 48,314	\$ 627,452	\$ 675,766
Specific ownership	31,531	32,638	38,635	38,635	2,416	31,373	33,788
TIF	4	4	4	4	0	4	4
Intergovernmental							
Transfers from Sweetgrass MD No. 1	67,609	47,941	4,551,267	4,551,267	-	-	-
Investment income	266	-	7,115	7,115	-	-	-
Total revenue	\$ 727,343	\$ 733,353	\$ 5,250,058	\$ 5,250,058	\$ 50,730	\$ 658,828	\$ 709,558
EXPENDITURES							
Current							
County Treasurer's fees	9,423	9,792	9,793	9,793	725	9,412	10,136
Insurance	2,260	2,750	2,069	2,069	2,500	-	2,500
Accounting	44,718	25,000	33,481	33,481	20,000	-	20,000
Audit	9,450	10,500	9,870	9,870	14,000	-	14,000
Property Owner Reimbursement (2.000 mills)	-	23,455	-	-	-	-	-
Other	1,057	5,000	1,931	1,931	5,000	-	5,000
Subtotal current	66,909	76,496	57,143	57,143	42,225	9,412	51,636
Intergovernmental							
Transfers to Sweetgrass MD No. 1	256,000	-	155,000	155,000	-	-	-
Subtotal intergovernmental	256,000	-	155,000	155,000	-	-	-
Debt Service							
Loan origination fees / bond counsel	-	661,082	569,105	569,105	-	-	-
Non-use fees	12,639	4,583	-	-	-	-	-
Custodial / trustee fees	5,000	7,000	2,000	2,000	7,000	-	7,000
Principal							
2018A Limited Tax General Obligation Note	-	9,769,000	9,769,000	9,769,000	-	-	-
2018C Subordinate Limited Tax Revenue Bond	-	857,161	3,576,748	3,576,748	-	-	-
2022A Limited Tax General Obligation Bonds	-	-	220,000	220,000	-	120,000	120,000
2022B Subordinate Limited Tax Revenue Bonds	-	-	-	-	-	-	-
Interest							
2018A Limited Tax General Obligation Note	324,002	162,445	173,753	173,753	-	-	-
2018C Subordinate Limited Tax Revenue Bond	-	1,601,463	917,282	917,282	-	-	-
2022A Limited Tax General Obligation Bonds	-	-	164,450	164,450	-	347,800	347,800
2022B Subordinate Limited Tax Revenue Bonds	-	-	-	-	-	181,617	181,617
Subtotal debt service	341,641	13,062,734	15,392,338	15,392,338	7,000	649,417	656,417

	2021	2022		2023 BUDGET			
	Actual Final	Original Budget	Amended Budget (if applicable)	Projected Final	General Fund Budget	Debt Service Budget	Total Budget
Total expenditures	<u>\$ 664,550</u>	<u>\$ 13,139,230</u>	<u>\$ 15,604,481</u>	<u>\$ 15,604,481</u>	<u>\$ 49,225</u>	<u>\$ 658,828</u>	<u>\$ 708,053</u>
(DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>\$ 62,794</u>	<u>\$ (12,405,877)</u>	<u>\$ (10,354,423)</u>	<u>\$ (10,354,423)</u>	<u>\$ 1,505</u>	<u>\$ -</u>	<u>\$ 1,505</u>
OTHER FINANCING SOURCES							
Debt proceeds	125,000	12,355,000	10,726,058	10,726,058	-	-	-
Developer Advances received	-	-	150,000	150,000	-	-	-
Change in working capital	(181)	-	(233,689)	(233,689)	-	-	-
Total other financing sources	<u>\$ 124,819</u>	<u>\$ 12,355,000</u>	<u>\$ 10,642,369</u>	<u>\$ 10,642,369</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
NET CHANGE IN FUND BALANCE	187,613	(50,877)	287,946	287,946	1,505	-	1,505
FUND BALANCE - BEGINNING OF YEAR	2,124	189,737	189,737	189,737	276,442	580,159	856,601
FUND BALANCE - END OF CURRENT PERIOD	<u>\$ 189,737</u>	<u>\$ 138,860</u>	<u>\$ 477,682</u>	<u>\$ 477,682</u>	<u>\$ 277,947</u>	<u>\$ 580,159</u>	<u>\$ 858,106</u>

SWEETGRASS MD NO. 2 2023 REVENUE PROJECTION	2022 AV, Collected in 2023		
	Certified Assessed Value	Total Mill Levy	Ad Valorem Revenue
Vacant Land	879,950	55.165	48,542.44
Residential	10,572,450	55.165	583,229.20
Commercial	2,400	55.165	132.40
Agricultural	8,460	55.165	466.70
Oil & Gas	144,050	55.165	7,946.52
State Assessed	642,660	55.165	35,452.34
	<u>\$ 12,249,970</u>	<u>55.165</u>	<u>\$ 675,769.60</u>
TIF District Increment	74	55.165	4.08
Net Assessed Valuation	<u>12,249,896</u>	<u>55.165</u>	<u>675,765.51</u>

2023 MILL LEVY APPROPRIATION	Levy Appropriation	TIF Revenue	Ad Valorem Revenue	S.O. Revenue	Treasurer's Fees
		\$	\$		
		4.08	675,765.51	5.00%	1.50%
General Fund	3.944	0.29	48,313.59	2,415.68	724.70
Debt Service	51.221	3.79	627,451.92	31,372.60	9,411.78
	<u>55.165</u>	<u>\$ 4.08</u>	<u>\$ 675,765.51</u>	<u>\$ 33,788.28</u>	<u>\$ 10,136.48</u>

SWEETGRASS METROPOLITAN DISTRICT NO. 2

2023 BUDGET

SUMMARY OF SIGNIFICANT ASSUMPTIONS

Services Provided

In accordance with its Service Plan, Sweetgrass Metropolitan District No. 2 (the "District"), was formed to provide funding to Sweetgrass Metropolitan District No. 1 for the construction, operation and maintenance of public improvements within the property known as "Sweetgrass," which is located in Dacono, Colorado. Such public improvements include, but are not limited to, storm drainage, water, sewer, utilities, streets, traffic and safety controls, and parks and recreation improvements.

The Service Plan, as amended and restated in 2021, provides the ability for the District to impose a maximum mill levy for the combined debt service and operational and maintenance requirements of the District. The Service Plan also provides limits on the issuance of general obligation debts for District Nos. 1 and 3 of \$47,000,000 and District No. 2 of \$11,500,000.

On June 16, 2022, the District issued the (i) Series 2021A, Senior General Obligation Limited Tax Refunding Bonds in the aggregate principal amount of \$8,150,000 (the "2022A Senior Bonds"); and (ii) Series 2022B, Subordinate General Obligation Limited Tax Refunding Bonds in the aggregate principal amount of \$1,175,000 (the "2022B Subordinate Bonds") for the purposes of (i) paying and discharging all or a portion of the Series 2018A Notes; (ii) funding a debt service reserve fund (solely for the benefit of the Series 2022A Bonds); and (iii) paying costs of issuance in connection with the 2022A and 2022B Bonds.

The District prepares its budget on the modified accrual basis of accounting and the budget has been adopted after proper postings, publications and public hearing.

Revenue

Ad Valorem Property Taxes

The primary source of revenue for the District is property taxes. Property taxes are assessed and collected based upon the assessed value of all of the non-exempt property located within the District. The District adopts mill levies for debt service and for operations which, when combined with the District's other sources of revenue, provide sufficient resources to pay the required debt service (if any), capital purchases and the estimated costs of operations for the calendar year.

Pursuant to the Service Plan and the Gallagher Amendment, the maximum mill levy limit is 55.165 mills in 2023. The District adopted a mill levy of 51.221 mills for debt service and 3.944 mills for operating expenditures in 2023.

The total taxable assessed valuation within the District in 2022 was \$12,249,970, an increase of \$522,720 from the 2021 valuation.

Specific Ownership Tax

Specific ownership tax revenue is collected on annual motor vehicle registrations within Weld County and is distributed based upon the proportion of property taxes levied within the County during the preceding calendar year. The specific ownership tax revenue is estimated to be 5.00% of the ad valorem property taxes collected in 2023.

Expenditures

Administrative

Administrative expenditures have been estimated based upon the level of expenditures incurred by the District in prior years.

Debt Service

The District intends to fully fund its annual debt service obligations under the Series 2022A Senior Bonds including principal in the amount of \$120,000 and interest in the amount of \$347,800. The District also anticipates that it will make interest payments in the amount of \$181,617 on the Series 2022B Subordinate Bonds.

Reserve Funds

The District has provided for an emergency reserve equal to \$858,106, which is intended for use on any unanticipated expenditures in 2023. Such emergency reserve is an integral part of the Ending Fund Balance.

Leases

The District has no operating or capital leases.

**SWEETGRASS METROPOLITAN DISTRICT NO. 3
GOVERNMENTAL FUND**

	2021	Original Budget	2022	Projected Final	2023 BUDGET		
	Actual Final		Amended Budget (if applicable)		General Fund Budget	Debt Service Budget	Total Budget
REVENUE							
Taxes							
Property	\$ 45,016	\$ 42,089	\$ 42,509	\$ 42,509	\$ 47,460	\$ -	\$ 47,460
Specific ownership	2,686	2,579	3,052	3,052	2,861	-	2,861
TIF	8,394	9,482	9,482	9,482	9,750	-	9,750
Intergovernmental							
Transfers from Sweetgrass MD No. 1	7,719	14,250	8,999	8,999	11,000	-	11,000
Transfers from Sweetgrass MD No. 2	-	-	-	-	-	-	-
Investment income	-	-	-	-	-	-	-
Other	5,000	-	-	-	-	-	-
Total revenue	\$ 68,815	\$ 68,399	\$ 64,042	\$ 64,042	\$ 71,071	\$ -	\$ 71,071
EXPENDITURES							
Current							
County Treasurer's fees	675	631	631	631	712	-	712
Insurance	2,156	2,500	1,906	1,906	2,250	-	2,250
Accounting	3,221	3,000	4,506	4,506	5,000	-	5,000
Audit	1,600	2,250	1,811	1,811	2,250	-	2,250
Legal	-	5,000	-	-	-	-	-
Other	989	1,500	755	755	1,500	-	1,500
Subtotal current	8,642	14,881	9,609	9,609	11,712	-	11,712
Intergovernmental							
Transfers to Sweetgrass Metro District No. 1	40,000	40,000	17,500	17,500	50,000	-	50,000
Transfers to Sweetgrass Metro District No. 2	-	-	-	-	-	-	-
Subtotal intergovernmental	40,000	40,000	17,500	17,500	50,000	-	50,000
Debt service							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Subtotal debt service	-	-	-	-	-	-	-
Total expenditures	\$ 48,642	\$ 54,881	\$ 27,109	\$ 27,109	\$ 61,712	\$ -	\$ 61,712
(DEFICIENCY) OF REVENUE OVER EXPENDITURES	\$ 20,173	\$ 13,518	\$ 36,933	\$ 36,933	\$ 9,359	\$ -	\$ 9,359

	2021	2022		2023 BUDGET			
	Actual Final	Original Budget	Amended Budget (if applicable)	Projected Final	General Fund Budget	Debt Service Budget	Total Budget
OTHER FINANCING SOURCES							
Debt proceeds	-	-	-	-	-	-	-
Developer Advances received	-	-	-	-	-	-	-
Change in working capital	(8,175)	-	(9,498)	(9,498)	-	-	-
Total other financing sources	\$ (8,175)	\$ -	\$ (9,498)	\$ (9,498)	\$ -	\$ -	\$ -
NET CHANGE IN FUND BALANCE	11,998	13,518	27,435	27,435	9,359	-	9,359
FUND BALANCE - BEGINNING OF YEAR	314	12,312	12,312	12,312	46,998	-	39,748
FUND BALANCE - END OF CURRENT PERIOD	\$ 12,312	\$ 25,830	\$ 39,748	\$ 39,748	\$ 56,356	\$ -	\$ 49,106

SWEETGRASS METROPOLITAN DISTRICT NO. 3 2023 REVENUE PROJECTION	2022 AV, Collected in 2023		
	Certified Assessed Value	Total Mill Levy	Ad Valorem Revenue
Vacant Land	-	20	-
Residential	-	20	-
Commercial	2,120,420	20	42,408.40
Agricultural	4,660	20	93.20
Oil & Gas	282,280	20	5,645.60
State Assessed	453,140	20	9,062.80
	\$ 2,860,500	20	\$ 57,210.00
TIF District Increment	487,512	20	9,750.24
Net Assessed Valuation	2,372,988	20	47,459.76

2023 MILL LEVY APPROPRIATION					
	Levy Appropriation	TIF Revenue	Ad Valorem Revenue	S.O. Revenue	Treasurer's Fees
		\$ 9,750.24	47,459.76	5.00%	1.50%
General Fund	20.000	9,750.24	47,459.76	2,860.50	711.90
Debt Service	0.000	-	-	-	-
	20.000	\$ 9,750.24	\$ 47,459.76	\$ 2,860.50	\$ 711.90

SWEETGRASS METROPOLITAN DISTRICT NO. 3

2023 BUDGET

SUMMARY OF SIGNIFICANT ASSUMPTIONS

Services Provided

In accordance with its Service Plan, Sweetgrass Metropolitan District No. 3 (the "District"), was formed to provide funding to Sweetgrass Metropolitan District No. 1 for the construction, operation and maintenance of public improvements within the commercial area of the property known as "Sweetgrass", located in Dacono, Colorado. Public improvements include, but are not limited to, storm drainage, water, sewer, utilities, streets, traffic and safety controls, and parks and recreation improvements.

The Service Plan, as amended and restated in 2021, provides the ability for the District to impose a maximum mill levy for the combined debt service and operational and maintenance requirements of the District. The Service Plan also provides limits on the issuance of general obligation debts for District Nos. 1 and 3 of \$47,000,000 and District No. 2 of \$11,500,000.

The District prepares its budget on the modified accrual basis of accounting and the budget has been adopted after proper postings, publications and public hearing.

Revenue

Ad Valorem Property Taxes

The primary source of revenue for the District is property taxes. Property taxes are assessed and collected based upon the assessed value of all of the non-exempt property located within the District. The District adopts mill levies for debt service and for operations which, when combined with the District's other sources of revenue, provide sufficient resources to pay the required debt service (if any), capital purchases and the estimated costs of operations for the calendar year.

The District adopted a mill levy of 20.000 mills for operating expenses in 2023.

The total taxable assessed valuation within the District in 2022 was \$2,860,500, an increase of \$281,960 from the 2021 valuation.

Specific Ownership Tax

Specific ownership tax revenue is collected on annual motor vehicle registrations within Weld County and is distributed based upon the proportion of property taxes levied within the County during the preceding calendar year. The specific ownership tax revenue is estimated to be 5.00% of the ad valorem property taxes collected in 2023.

Expenditures

Transfers to District No. 1

The District projects that it will transfer approximately \$50,000 in revenue to District No. 1 in 2023 to fund operating expenses of the Districts.

Administrative

Administrative expenditures have been estimated based upon the level of expenditures incurred by the District in prior years.

Reserve Funds

The District has provided for an emergency reserve equal to \$56,356, which is intended for use on any unanticipated expenditures in 2023. Such emergency reserve is an integral part of the Ending Fund Balance.

Leases

The District has no operating or capital leases.

EXHIBIT B
2022 Audit – District Nos. 1 & 2
2022 Audit Exemption Application – District No. 3

APPLICATION FOR EXEMPTION FROM AUDIT**SHORT FORM**NAME OF GOVERNMENT
ADDRESSSweetgrass Metropolitan District No. 3
2500 Arapahoe Avenue
Suite 220
Boulder, CO 80302For the Year Ended
12/31/22
or fiscal year ended:CONTACT PERSON
PHONE
EMAILSteve Rane
303-442-2299
steve@cdgcolorado.com**PART 1 - CERTIFICATION OF PREPARER**

I certify that I am skilled in governmental accounting and that the information in the application is complete and accurate, to the best of my knowledge.

NAME:
TITLE
FIRM NAME (if applicable)
ADDRESS
PHONE
DATE PREPAREDShelby Clymer
Accountant for the District
CliftonLarsonAllen LLP
8390 E Crescent Parkway, Suite 300, Greenwood Village, CO 80111
303-779-5710
3/13/2023**PREPARER** (SIGNATURE REQUIRED)**See Accountant's Compilation Report**Please indicate whether the following financial information is recorded
using Governmental or Proprietary fund types**GOVERNMENTAL**
(MODIFIED ACCRUAL BASIS)**PROPRIETARY**
(CASH OR BUDGETARY BASIS)

PART 2 - REVENUE

REVENUE: All revenues for all funds must be reflected in this section, including proceeds from the sale of the government's land, building, and equipment, and proceeds from debt or lease transactions. Financial information will not include fund equity information.

Line#	Description	Round to nearest Dollar	Please use this space to provide any necessary explanations
2-1	Taxes: Property (report mills levied in Question 10-6)	\$ 42,509	
2-2	Specific ownership	\$ 3,052	
2-3	Sales and use	\$ -	
2-4	Other (specify): TIF Income	\$ 9,482	
2-5	Licenses and permits	\$ -	
2-6	Intergovernmental: Grants	\$ -	
2-7	Conservation Trust Funds (Lottery)	\$ -	
2-8	Highway Users Tax Funds (HUTF)	\$ -	
2-9	Other (specify):	\$ -	
2-10	Charges for services	\$ -	
2-11	Fines and forfeits	\$ -	
2-12	Special assessments	\$ -	
2-13	Investment income	\$ -	
2-14	Charges for utility services	\$ -	
2-15	Debt proceeds (should agree with line 4-4, column 2)	\$ -	
2-16	Lease proceeds	\$ -	
2-17	Developer Advances received (should agree with line 4-4)	\$ -	
2-18	Proceeds from sale of capital assets	\$ -	
2-19	Fire and police pension	\$ -	
2-20	Donations	\$ -	
2-21	Other (specify):	\$ -	
2-22		\$ -	
2-23		\$ -	
2-24	(add lines 2-1 through 2-23) TOTAL REVENUE	\$ 55,043	

PART 3 - EXPENDITURES/EXPENSES

EXPENDITURES: All expenditures for all funds must be reflected in this section, including the purchase of capital assets and principal and interest payments on long-term debt. Financial information will not include fund equity information.

Line#	Description	Round to nearest Dollar	Please use this space to provide any necessary explanations
3-1	Administrative	\$ 755	
3-2	Salaries	\$ -	
3-3	Payroll taxes	\$ -	
3-4	Contract services	\$ -	
3-5	Employee benefits	\$ -	
3-6	Insurance	\$ 1,906	
3-7	Accounting and legal fees	\$ 6,317	
3-8	Repair and maintenance	\$ -	
3-9	Supplies	\$ -	
3-10	Utilities and telephone	\$ -	
3-11	Fire/Police	\$ -	
3-12	Streets and highways	\$ -	
3-13	Public health	\$ -	
3-14	Capital outlay	\$ -	
3-15	Utility operations	\$ -	
3-16	Culture and recreation	\$ -	
3-17	Debt service principal (should agree with Part 4)	\$ -	
3-18	Debt service interest	\$ -	
3-19	Repayment of Developer Advance Principal (should agree with line 4-4)	\$ -	
3-20	Repayment of Developer Advance Interest	\$ -	
3-21	Contribution to pension plan (should agree to line 7-2)	\$ -	
3-22	Contribution to Fire & Police Pension Assoc. (should agree to line 7-2)	\$ -	
3-23	Other (specify):		
3-24	Country Treasurer Fees	\$ 631	
3-25	Transfer to Sweetgrass Metro District No. 1	\$ 8,501	
3-26	(add lines 3-1 through 3-24) TOTAL EXPENDITURES/EXPENSES	\$ 18,110	

If TOTAL REVENUE (Line 2-24) or TOTAL EXPENDITURES (Line 3-26) are GREATER than \$100,000 - **STOP**. You may not use this form. Please use the "Application for Exemption from Audit - LONG FORM".

PART 4 - DEBT OUTSTANDING, ISSUED, AND RETIRED

Please answer the following questions by marking the appropriate boxes.

- | | | | |
|-----|---|--------------------------|-------------------------------------|
| | | Yes | No |
| 4-1 | Does the entity have outstanding debt?
If Yes, please attach a copy of the entity's Debt Repayment Schedule. | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| 4-2 | Is the debt repayment schedule attached? If no, MUST explain: | <input type="checkbox"/> | <input checked="" type="checkbox"/> |

N/A. The District has no debt.

- | | | | |
|-----|--|--------------------------|-------------------------------------|
| | | Yes | No |
| 4-3 | Is the entity current in its debt service payments? If no, MUST explain: | <input type="checkbox"/> | <input checked="" type="checkbox"/> |

N/A. The District has no debt.

Please complete the following debt schedule, if applicable: (please only include principal amounts)(enter all amount as positive numbers)	Outstanding at end of prior year*	Issued during year	Retired during year	Outstanding at year-end
General obligation bonds	\$ -	\$ -	\$ -	\$ -
Revenue bonds	\$ -	\$ -	\$ -	\$ -
Notes/Loans	\$ -	\$ -	\$ -	\$ -
Lease Liabilities	\$ -	\$ -	\$ -	\$ -
Developer Advances	\$ -	\$ -	\$ -	\$ -
Other (specify):	\$ -	\$ -	\$ -	\$ -
TOTAL	\$ -	\$ -	\$ -	\$ -

*must tie to prior year ending balance

Please answer the following questions by marking the appropriate boxes.

- | | | | |
|---------|--|-------------------------------------|-------------------------------------|
| | | Yes | No |
| 4-5 | Does the entity have any authorized, but unissued, debt? | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| If yes: | How much? | \$ 240,000,000.00 | |
| | Date the debt was authorized: | 11/1/2005 | |
| 4-6 | Does the entity intend to issue debt within the next calendar year? | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| If yes: | How much? | \$ - | |
| 4-7 | Does the entity have debt that has been refinanced that it is still responsible for? | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| If yes: | What is the amount outstanding? | \$ - | |
| 4-8 | Does the entity have any lease agreements? | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| If yes: | What is being leased? | | |
| | What is the original date of the lease? | | |
| | Number of years of lease? | | |
| | Is the lease subject to annual appropriation? | <input type="checkbox"/> | <input type="checkbox"/> |
| | What are the annual lease payments? | \$ - | |

Please use this space to provide any explanations or comments:

PART 5 - CASH AND INVESTMENTS

Please provide the entity's cash deposit and investment balances.

	Amount	Total
5-1 YEAR-END Total of ALL Checking and Savings Accounts	\$ 39,748	
5-2 Certificates of deposit	\$ -	
Total Cash Deposits		\$ 39,748
Investments (if investment is a mutual fund, please list underlying investments):		
	\$ -	
	\$ -	
5-3	\$ -	
	\$ -	
Total Investments		\$ -
Total Cash and Investments		\$ 39,748

Please answer the following questions by marking in the appropriate boxes

- | | | | | |
|-----|---|-------------------------------------|--------------------------|-------------------------------------|
| | | Yes | No | N/A |
| 5-4 | Are the entity's Investments legal in accordance with Section 24-75-601, et. seq., C.R.S.? | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| 5-5 | Are the entity's deposits in an eligible (Public Deposit Protection Act) public depository (Section 11-10.5-101, et seq. C.R.S.)? | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

If no, MUST use this space to provide any explanations:

PART 6 - CAPITAL AND RIGHT-TO-USE ASSETS

Please answer the following questions by marking in the appropriate boxes.

Yes No

- 6-1 Does the entity have capital assets? Yes No
- 6-2 Has the entity performed an annual inventory of capital assets in accordance with Section 29-1-506, C.R.S.,? If no, MUST explain: Yes No

N/A. The District has no capital assets.

Complete the following capital & right-to-use assets table:	Balance - beginning of the year*	Additions (Must be included in Part 3)	Deletions	Year-End Balance
Land	\$ -	\$ -	\$ -	\$ -
Buildings	\$ -	\$ -	\$ -	\$ -
Machinery and equipment	\$ -	\$ -	\$ -	\$ -
Furniture and fixtures	\$ -	\$ -	\$ -	\$ -
Infrastructure	\$ -	\$ -	\$ -	\$ -
Construction In Progress (CIP)	\$ -	\$ -	\$ -	\$ -
Leased Right-to-Use Assets	\$ -	\$ -	\$ -	\$ -
Other (explain):	\$ -	\$ -	\$ -	\$ -
Accumulated Depreciation/Amortization (Please enter a negative, or credit, balance)	\$ -	\$ -	\$ -	\$ -
TOTAL	\$ -	\$ -	\$ -	\$ -

Please use this space to provide any explanations or comments:

PART 7 - PENSION INFORMATION

Please answer the following questions by marking in the appropriate boxes.

Yes No

- 7-1 Does the entity have an "old hire" firefighters' pension plan? Yes No
- 7-2 Does the entity have a volunteer firefighters' pension plan? Yes No
- If yes: Who administers the plan?

Indicate the contributions from:

Tax (property, SO, sales, etc.):	\$ -
State contribution amount:	\$ -
Other (gifts, donations, etc.):	\$ -
TOTAL	\$ -
What is the monthly benefit paid for 20 years of service per retiree as of Jan 1?	\$ -

Please use this space to provide any explanations or comments:

PART 8 - BUDGET INFORMATION

Please answer the following questions by marking in the appropriate boxes.

Yes No N/A

- 8-1 Did the entity file a budget with the Department of Local Affairs for the current year in accordance with Section 29-1-113 C.R.S.? Yes No N/A
-
- 8-2 Did the entity pass an appropriations resolution, in accordance with Section 29-1-108 C.R.S.? If no, MUST explain: Yes No N/A
-

If yes: Please indicate the amount budgeted for each fund for the year reported:

Governmental/Proprietary Fund Name	Total Appropriations By Fund
General Fund	\$ 54,881

PART 9 - TAXPAYER'S BILL OF RIGHTS (TABOR)

Please answer the following question by marking in the appropriate box

Yes

No

9-1 Is the entity in compliance with all the provisions of TABOR [State Constitution, Article X, Section 20(5)]?

Note: An election to exempt the government from the spending limitations of TABOR does not exempt the government from the 3 percent emergency reserve requirement. All governments should determine if they meet this requirement of TABOR.

If no, MUST explain:

PART 10 - GENERAL INFORMATION

Please answer the following questions by marking in the appropriate boxes.

Yes

No

10-1 Is this application for a newly formed governmental entity?

If yes: Date of formation:

10-2 Has the entity changed its name in the past or current year?

If yes: Please list the NEW name & PRIOR name:

10-3 Is the entity a metropolitan district?

Please indicate what services the entity provides:

See below.

10-4 Does the entity have an agreement with another government to provide services?

If yes: List the name of the other governmental entity and the services provided:

See below.

10-5 Has the district filed a *Title 32, Article 1 Special District Notice of Inactive Status* during

If yes: Date Filed:

10-6 Does the entity have a certified Mill Levy?

If yes: Please provide the following mills levied for the year reported (do not report \$ amounts):

Bond Redemption mills	-
General/Other mills	20.000
Total mills	20.000

Please use this space to provide any explanations or comments:

10-3: Water, streets, traffic, safety controls, parks & recreation, and sewer.

10-4: Facility Connection and Services Agreement with Sweetgrass Metropolitan Districts No. 1 and 2; District covenants with City of Dacono, Colorado

PART 11 - GOVERNING BODY APPROVAL

Please answer the following question by marking in the appropriate box		YES	NO
12-1	If you plan to submit this form electronically, have you read the new Electronic Signature Policy?	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Office of the State Auditor — Local Government Division - Exemption Form Electronic Signatures Policy and Procedure

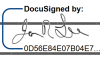


Policy - Requirements

The Office of the State Auditor Local Government Audit Division may accept an electronic submission of an application for exemption from audit that includes governing board signatures obtained through a program such as DocuSign or Echosign. Required elements and safeguards are as follows:

- The preparer of the application is responsible for obtaining board signatures that comply with the requirement in Section 29-1-604 (3), C.R.S., that states the application shall be personally reviewed, approved, and signed by a majority of the members of the governing body.
- The application must be accompanied by the signature history document created by the electronic signature software. The signature history document must show when the document was created and when the document was emailed to the various parties, and include the dates the individual board members signed the document. The signature history must also show the individuals' email addresses and IP address.
- Office of the State Auditor staff will not coordinate obtaining signatures.

The application for exemption from audit form created by our office includes a section for governing body approval. Local governing boards note their approval and submit the application through one of the following three methods:

- 1) Submit the application in hard copy via the US Mail including original signatures.
- 2) Submit the application electronically via email and either,
 - a. Include a copy of an adopted resolution that documents formal approval by the Board, **or**
 - b. Include electronic signatures obtained through a software program such as DocuSign or Echosign in accordance with the requirements noted above.

Print the names of ALL members of current governing body below. Print Board Member's Name		A MAJORITY of the members of the governing body must complete and sign in the column below.
Board Member 1	Jon R. Lee	I Jon R. Lee, attest I am a duly elected or appointed board member, and that I have personally reviewed and approve this application for exemption from audit. Signed _____ Date: 3/29/2023  My term Expires: May 2025
Board Member 2	Jessica Brothers	I Jessica Brothers, attest I am a duly elected or appointed board member, and that I have personally reviewed and approve this application for exemption from audit. Signed _____ Date: 3/29/2023  My term Expires: May 2025
Board Member 3	Steve Rane	I Steve Rane, attest I am a duly elected or appointed board member, and that I have personally reviewed and approve this application for exemption from audit. Signed _____ Date: 3/29/2023  My term Expires: May 2023
Board Member 4		I _____, attest I am a duly elected or appointed board member, and that I have personally reviewed and approve this application for exemption from audit. Signed _____ Date: _____ My term Expires: _____
Board Member 5		I _____, attest I am a duly elected or appointed board member, and that I have personally reviewed and approve this application for exemption from audit. Signed _____ Date: _____ My term Expires: _____
Board Member 6		I _____, attest I am a duly elected or appointed board member, and that I have personally reviewed and approve this application for exemption from audit. Signed _____ Date: _____ My term Expires: _____
Board Member 7		I _____, attest I am a duly elected or appointed board member, and that I have personally reviewed and approve this application for exemption from audit. Signed _____ Date: _____ My term Expires: _____



CliftonLarsonAllen LLP
8390 East Crescent Pkwy., Suite 300
Greenwood Village, CO 80111
phone 303-779-5710 fax 303-779-0348
CLAconnect.com

Accountant's Compilation Report

Board of Directors
Sweetgrass Metropolitan District No. 3
Weld County, Colorado

Management is responsible for the accompanying Application for Exemption from Audit of Sweetgrass Metropolitan District No. 3 as of and for the year ended December 31, 2022, included in the accompanying prescribed form. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. We did not audit or review the financial statements included in the accompanying prescribed form nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on the financial statements included in the accompanying prescribed form.

The Application for Exemption from Audit is presented in accordance with the requirements of the Colorado Office of the State Auditor, which differ from accounting principles generally accepted in the United States of America.

This report is intended solely for the information and use of the Colorado Office of the State Auditor and is not intended to be and should not be used by anyone other than this specified party.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

Greenwood Village, Colorado
March 13, 2023

Certificate Of Completion

Envelope Id: BAF23528C4524B2683729F553FA18EFF	Status: Completed
Subject: Complete with DocuSign: Sweetgrass Metropolitan District No. 3 -2022 Audit Exemption.pdf	
Client Name: Sweetgrass Metropolitan District No. 3	
Client Number: A521588	
Source Envelope:	
Document Pages: 8	Signatures: 3
Certificate Pages: 5	Initials: 0
AutoNav: Enabled	Envelope Originator:
Enveloped Stamping: Enabled	Shelby Johnson
Time Zone: (UTC-06:00) Central Time (US & Canada)	220 S 6th St Ste 300
	Minneapolis, MN 55402-1418
	shelby.johnson@claconnect.com
	IP Address: 50.169.146.162

Record Tracking

Status: Original 3/29/2023 12:10:02 PM	Holder: Shelby Johnson shelby.johnson@claconnect.com	Location: DocuSign
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Signer Events

Jon R. Lee
jonrlee@cdgcolorado.com
Authorized representative
Security Level: Email, Account Authentication (None)

Signature

DocuSigned by:

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Signature Adoption: Uploaded Signature Image
Using IP Address: 65.155.157.50

Timestamp

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Signed: 3/29/2023 12:20:13 PM

Electronic Record and Signature Disclosure:
Accepted: 3/29/2023 12:20:01 PM
ID: 8303b444-75a3-4f01-94e9-f7642c69ae3f

Jessica Brothers
jessica@cdgcolorado.com
Security Level: Email, Account Authentication (None)

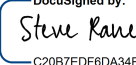
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Electronic Record and Signature Disclosure:
Accepted: 3/29/2023 12:27:30 PM
ID: 72dd2e3e-0cd4-4af1-8d89-71335341fbac

Steve Rane
steve@cdgcolorado.com
Secretary/Treasurer
Security Level: Email, Account Authentication (None)

DocuSigned by:

C2087EDF6DA34ED...
Signature Adoption: Pre-selected Style
Using IP Address: 65.155.157.50

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Signed: 3/29/2023 2:10:17 PM

Electronic Record and Signature Disclosure:
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Editor Delivery Events	Status	Timestamp
Agent Delivery Events	Status	Timestamp
Intermediary Delivery Events	Status	Timestamp

Certified Delivery Events	Status	Timestamp
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Carbon Copy Events	Status	Timestamp
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Witness Events	Signature	Timestamp
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Notary Events	Signature	Timestamp
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Envelope Summary Events	Status	Timestamps
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Certified Delivered	Security Checked	3/29/2023 2:10:05 PM
Signing Complete	Security Checked	3/29/2023 2:10:17 PM
Completed	Security Checked	3/29/2023 2:10:17 PM

Payment Events	Status	Timestamps
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Electronic Record and Signature Disclosure

ELECTRONIC RECORD AND SIGNATURE DISCLOSURE

From time to time, CliftonLarsonAllen LLP (we, us or Company) may be required by law to provide to you certain written notices or disclosures. Described below are the terms and conditions for providing to you such notices and disclosures electronically through the DocuSign system. Please read the information below carefully and thoroughly, and if you can access this information electronically to your satisfaction and agree to this Electronic Record and Signature Disclosure (ERSD), please confirm your agreement by selecting the check-box next to 'I agree to use electronic records and signatures' before clicking 'CONTINUE' within the DocuSign system.

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At any time, you may request from us a paper copy of any record provided or made available electronically to you by us. You will have the ability to download and print documents we send to you through the DocuSign system during and immediately after the signing session and, if you elect to create a DocuSign account, you may access the documents for a limited period of time (usually 30 days) after such documents are first sent to you. After such time, if you wish for us to send you paper copies of any such documents from our office to you, you will be charged a \$0.00 per-page fee. You may request delivery of such paper copies from us by following the procedure described below.

Withdrawing your consent

If you decide to receive notices and disclosures from us electronically, you may at any time change your mind and tell us that thereafter you want to receive required notices and disclosures only in paper format. How you must inform us of your decision to receive future notices and disclosure in paper format and withdraw your consent to receive notices and disclosures electronically is described below.

Consequences of changing your mind

If you elect to receive required notices and disclosures only in paper format, it will slow the speed at which we can complete certain steps in transactions with you and delivering services to you because we will need first to send the required notices or disclosures to you in paper format, and then wait until we receive back from you your acknowledgment of your receipt of such paper notices or disclosures. Further, you will no longer be able to use the DocuSign system to receive required notices and consents electronically from us or to sign electronically documents from us.

All notices and disclosures will be sent to you electronically

Unless you tell us otherwise in accordance with the procedures described herein, we will provide electronically to you through the DocuSign system all required notices, disclosures, authorizations, acknowledgements, and other documents that are required to be provided or made available to you during the course of our relationship with you. To reduce the chance of you inadvertently not receiving any notice or disclosure, we prefer to provide all of the required notices and disclosures to you by the same method and to the same address that you have given us. Thus, you can receive all the disclosures and notices electronically or in paper format through the paper mail delivery system. If you do not agree with this process, please let us know as described below. Please also see the paragraph immediately above that describes the consequences of your electing not to receive delivery of the notices and disclosures electronically from us.

How to contact CliftonLarsonAllen LLP:

You may contact us to let us know of your changes as to how we may contact you electronically, to request paper copies of certain information from us, and to withdraw your prior consent to receive notices and disclosures electronically as follows:

To contact us by email send messages to: BusinessTechnology@CLAconnect.com

To advise CliftonLarsonAllen LLP of your new email address

To let us know of a change in your email address where we should send notices and disclosures electronically to you, you must send an email message to us at BusinessTechnology@CLAconnect.com and in the body of such request you must state: your previous email address, your new email address. We do not require any other information from you to change your email address.

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To request delivery from us of paper copies of the notices and disclosures previously provided by us to you electronically, you must send us an email to BusinessTechnology@CLAconnect.com and in the body of such request you must state your email address, full name, mailing address, and telephone number. We will bill you for any fees at that time, if any.

To withdraw your consent with CliftonLarsonAllen LLP

To inform us that you no longer wish to receive future notices and disclosures in electronic format you may:

i. decline to sign a document from within your signing session, and on the subsequent page, select the check-box indicating you wish to withdraw your consent, or you may;

ii. send us an email to BusinessTechnology@CLAconnect.com and in the body of such request you must state your email, full name, mailing address, and telephone number. We do not need any other information from you to withdraw consent.. The consequences of your withdrawing consent for online documents will be that transactions may take a longer time to process..

Required hardware and software

The minimum system requirements for using the DocuSign system may change over time. The current system requirements are found here: <https://support.docusign.com/guides/signer-guide-signing-system-requirements>.

Acknowledging your access and consent to receive and sign documents electronically

To confirm to us that you can access this information electronically, which will be similar to other electronic notices and disclosures that we will provide to you, please confirm that you have read this ERSD, and (i) that you are able to print on paper or electronically save this ERSD for your future reference and access; or (ii) that you are able to email this ERSD to an email address where you will be able to print on paper or save it for your future reference and access. Further, if you consent to receiving notices and disclosures exclusively in electronic format as described herein, then select the check-box next to ‘I agree to use electronic records and signatures’ before clicking ‘CONTINUE’ within the DocuSign system.

By selecting the check-box next to ‘I agree to use electronic records and signatures’, you confirm that:

- You can access and read this Electronic Record and Signature Disclosure; and
- You can print on paper this Electronic Record and Signature Disclosure, or save or send this Electronic Record and Disclosure to a location where you can print it, for future reference and access; and
- Until or unless you notify CliftonLarsonAllen LLP as described above, you consent to receive exclusively through electronic means all notices, disclosures, authorizations, acknowledgements, and other documents that are required to be provided or made available to you by CliftonLarsonAllen LLP during the course of your relationship with CliftonLarsonAllen LLP.

SWEETGRASS METROPOLITAN DISTRICT NO. 1

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2022



CPAs | CONSULTANTS | WEALTH ADVISORS

[CLAconnect.com](https://www.CLAconnect.com)

**SWEETGRASS METROPOLITAN DISTRICT NO. 1
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YEAR ENDED DECEMBER 31, 2022**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Sweetgrass Metropolitan District No. 1
Dacono, Colorado

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of Sweetgrass Metropolitan District No. 1, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise Sweetgrass Metropolitan District No. 1'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 the major fund of Sweetgrass Metropolitan District No. 1, as of December 31, 2022, and the respective changes in financial position 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 (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Sweetgrass Metropolitan District No. 1 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 Sweetgrass Metropolitan District No. 1'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.

Auditors' 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 auditors' 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 GAAS 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 GAAS, we:

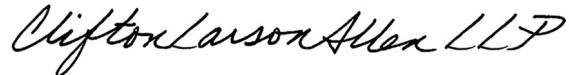
- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, 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 Sweetgrass Metropolitan District No. 1'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 Sweetgrass Metropolitan District No. 1's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management omitted the 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, 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 opinions on the basic financial statements are not affected by this missing information.



CliftonLarsonAllen LLP

Broomfield, Colorado
May 4, 2023

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

	Governmental Activities
ASSETS	
Cash and Investments	\$ 508
Restricted Cash	64,125
Refundable Deposits	13,416
Property Tax Receivable	2
Prepaid Items	3,307
Total Assets	81,358
LIABILITIES	
Accounts Payable and Retainage Payable	56,183
Accrued Interest	199,122
Noncurrent Liabilities:	
Due in More than One Year:	
Series 2022B Bonds	4,624,030
Total Liabilities	4,879,335
DEFERRED INFLOWS OF RESOURCES	
Property Tax Revenue	2
Total Deferred Inflows of Resources	2
NET POSITION	
Restricted for TABOR	6,265
Restricted for Capital Projects	64,125
Unrestricted	(4,868,369)
Total Net Position	\$ (4,797,979)

See accompanying Notes to Financial Statements.

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

Functions/Programs	Expenses	Program Revenue Charges for Services	Net Revenue (Expense) and Change in Net Position Governmental Activities
Governmental Activities:			
General Government	\$ 4,637,745	\$ -	\$ (4,637,745)
Public Works	5,628,296	-	(5,628,296)
Interest and Related Costs on Long-Term Debt	366,622	-	(366,622)
	\$ 10,632,663	\$ -	(10,632,663)
General Revenues:			
			2
			24
			208,802
			172,500
			381,328
			Change in Net Position
			(10,251,335)
			Net Position - Beginning of Year
			5,453,356
			Net Position - End of Year
			\$ (4,797,979)

See accompanying Notes to Basic Financial Statements.

**SWEETGRASS METROPOLITAN DISTRICT NO. 1
BALANCE SHEET
DECEMBER 31, 2022**

	<u>General Fund</u>
ASSETS	
Cash and Investments	\$ 508
Restricted Cash	64,125
Refundable Deposits	13,416
Property Tax Receivable	2
Prepaid Items	<u>3,307</u>
Total Assets	<u><u>\$ 81,358</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	
LIABILITIES	
Accounts Payable and Retainage Payable	<u>\$ 56,183</u>
Total Liabilities	56,183
DEFERRED INFLOWS OF RESOURCES	
Property Tax Revenue	<u>2</u>
Total Deferred Inflows of Resources	2
FUND BALANCE	
Nonspendable	3,307
Restricted for TABOR	6,265
Unassigned	<u>15,601</u>
Total Fund Balance	<u>25,173</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u><u>\$ 81,358</u></u>

See accompanying Notes to Basic Financial Statements.

**SWEETGRASS METROPOLITAN DISTRICT NO. 1
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUND TO THE STATEMENT OF NET POSITION
YEAR ENDED DECEMBER 31, 2022**

Total Fund Balance - Total Governmental Fund	\$ 25,173
Amounts reported for governmental activities in the statement of net position are different because:	
Accrued interest payable is recognized for governmental activities, but is not reported as a liability in the governmental fund.	(199,122)
Some liabilities, including bonds and notes payable, are not due in the current period and, therefore, are not reported in the fund balance sheet. Series 2022B Bonds	<u>(4,624,030)</u>
Net Position of Governmental Activities	<u>\$ (4,797,979)</u>

See accompanying Notes to Basic Financial Statements.

**SWEETGRASS METROPOLITAN DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – GOVERNMENTAL FUND
YEAR ENDED DECEMBER 31, 2022**

	General Fund
REVENUES	
Property Taxes	\$ 2
Net Investment Income	24
Transportation Impact Fees	208,802
Intergovernmental - Sweetgrass Metropolitan District No. 2 and No. 3	172,500
Total Revenues	381,328
EXPENDITURES	
Current:	
Treasurer and Director Fees	60
Accounting	21,170
Audit	12,075
Insurance	3,257
Legal	35,269
Letter of Credit Fees	4,411
Other	1,237
Intergovernmental - Sweetgrass Metropolitan District No. 2 and No. 3	4,560,266
Debt Service:	
Closing Costs	167,500
Capital Outlay	146,058
Total Expenditures	4,951,303
DEFICIENCY OF REVENUES OVER EXPENDITURES	(4,569,975)
OTHER FINANCING SOURCES	
Proceeds from Series 2022B Bonds	4,624,030
Total Other Financing Sources	4,624,030
NET CHANGE IN FUND BALANCES	54,055
Fund Balance - Beginning of Year	(28,882)
FUND BALANCE - END OF YEAR	\$ 25,173

See accompanying Notes to Basic Financial Statements.

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

Net Change in Fund Balance - Total Governmental Fund	\$	54,055
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental fund reports capital outlays as expenditures. However, for government activities, those capital outlays other than noncapitalizable items are shown in the statement of net position at cost.

Capital Outlay		146,058
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Transfers of capital improvements to other entities decrease net position in the statement of activities. This transaction is not reported in the governmental fund as it is not a current use of financial resources.

		(5,628,296)
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The issuance of long-term debt (bonds) provides current financial resources to governmental funds, while the repayment of the principal on long term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

Proceeds from Bonds		(4,624,030)
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The change in accrued interest expense does not have any impact on governmental fund expenditures. This transaction, however, does increase the amount of interest expense on the statement of activities.

Accrued Interest		<u>(199,122)</u>
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Change in Net Position of Governmental Activities		<u><u>\$ (10,251,335)</u></u>
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SWEETGRASS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 DEFINITION OF REPORTING ENTITY

Sweetgrass Metropolitan District No. 1 (District) is a quasi-municipal corporation located within the city limits of the city of Dacono (Dacono), Colorado created by election in November 2001. The District and Dacono have entered into an Intergovernmental Agreement as required by the Dacono Code, which implemented the District Service Plan and limited certain District statutory powers. The District is governed pursuant to provisions of the Colorado Special District Act to finance construction, operation and maintenance of the facilities located within the Sweetgrass Metropolitan Districts No. 1, No. 2, and No. 3.

The District was organized concurrently with Sweetgrass Metropolitan District No. 2 (District No. 2) and Sweetgrass Metropolitan District No. 3 (District No. 3). The District has the power to provide water, sanitation, storm drainage, streets, traffic and safety controls, and park and recreation improvements and other related improvements for the benefit of taxpayers and service users within the Districts' boundaries. The Service Plan requires the District to convey the constructed improvements to Dacono or the Homeowner's Association (HOA) for ownership and maintenance.

Sweetgrass Metropolitan District No. 2 is intended to serve as the "operating district" while the District and District No. 3 are intended to serve as the "financing districts". The operating district is responsible for providing the day-to-day operations and administrative management of all three of the Districts. The operating district is economically dependent on developer advances and in future years will be economically dependent upon intergovernmental revenue received from the financing districts.

The Service Plan has been replaced by the Amended and Restated Consolidated Service Plan, dated November 19, 2021, and approved by Dacono on November 22, 2021 (the Amended and Restated Service Plan). The Amended and Restated Service Plan provides for the District to have a new debt limit, in conjunction with District No. 3, of \$47,000,000. In 2022, the District expanded its boundaries to include portions of properties formerly within the boundaries of District No. 2 and District No. 3.

The District has no employees and all services are contracted.

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, including District No. 2, District No. 3, and Dacono.

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

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. Governmental activities are normally supported by taxes and intergovernmental revenues.

The statement of net position reports all financial resources of the District. The difference between the assets, liabilities and deferred outflows and inflows of resources of the District is reported as a 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 charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Construction in progress is shown as an increase in assets and increases in notes payable are recorded as an increase in liabilities.

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 government 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 intergovernmental revenue and property taxes. Expenditures generally are recorded when a liability is incurred as under accrual accounting. However, debt service expenditures are recorded only when payment is due. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

The District reports the following major governmental fund:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government.

SWEETGRASS 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 (the Board) 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 level and lapses at year-end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated. The adopted budgets for the General Fund and Debt Service Fund have been consolidated and reflected as the General Fund budget for financial reporting purposes.

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

Property taxes are recorded initially as deferred inflows of resources in the year they are levied and measurable.

Capital Assets

Capital assets consist entirely of construction projects in progress that will be conveyed to Dacono or the HOA once completed. Therefore, no depreciation is calculated on these assets. Interest incurred during construction is not capitalized.

Fund Balance and Net Position

Net position is reported in the governmental activities and is classified as restricted, unrestricted, or net investment in capital assets. Restrictions of net position represent amounts that are not available for appropriation or are legally restricted. As of December 31, 2022, fund balances of governmental funds are classified as follows:

Nonspendable – amounts that cannot be spent either because they are not spendable in form or because they are legally or contractually required to be maintained intact. This includes amounts that are not expected to be converted to cash, for example, prepaid amounts.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance and Net Position (Continued)

Restricted – amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation.

Committed – amounts that are subject to a purpose constraint imposed by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. Commitments may be established, modified or rescinded only through resolutions approved by the Board.

Assigned – amounts that are subject to a purpose constraint that represents an intended use established by the District in its budget process. The purpose of the assignment must be narrower than the purpose of the General Fund.

Unassigned – represents the residual classification for the District’s General Fund and could report a surplus or deficit.

Restricted Fund Balance

Emergency Reserves have been provided for as required by Article X, Section 20 of the Constitution of the state of Colorado (see Note 9). In compliance with this requirement, \$6,265 of the General Fund balance has been restricted.

The District’s order of fund balance spending policy is to apply expenditures against restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance. The District reserves the right to selectively spend unassigned fund balance.

NOTE 3 CASH AND INVESTMENTS

Cash and investments reflected on the statement of net position as of December 31, 2022 consist of the following:

Cash Deposits	\$ 278
Restricted Cash Held in Escrow for Capital Projects	64,125
Investments	230
Total Cash and Investments	<u>\$ 64,633</u>

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

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Cash Deposits

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 fair value of the collateral must be at least equal to 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's cash deposits were covered under PDPA and not subject to custodial credit risk. At December 31, 2022, the District's cash deposits had a carrying balance of \$64,403.

Investments

The District has not adopted a formal investment policy; however, it follows state statutes regarding investments. The District also follows investment policies in bond or note agreements when those agreements are more restrictive than state statutes. 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 disclosure requirements or subject to investment custodial credit risk for investments that are in the possession of another party.

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

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

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

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

<u>Investment</u>	<u>Maturity</u>	<u>Amortized Cost</u>
Colorado Surplus Asset Fund Trust *	Less than One Year	<u>\$ 230</u>

Colorado Surplus Asset Trust Fund *

As of December 31, 2022, the District had invested \$230 in the Colorado Surplus Asset Fund 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 operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust is rated AAmmf by Fitch Ratings and is valued at amortized cost. Based on the valuation method, additional disclosures are not required under GASB Statement No. 72.

NOTE 4 CONSTRUCTION IN PROGRESS

An analysis of the changes in construction in progress for the year ended December 31, 2022 follows:

	Balance at January 1, 2022	Additions	Reductions	Balance at December 31, 2022
Construction in Progress	<u>\$ 5,482,238</u>	<u>\$ 146,058</u>	<u>\$ 5,628,296</u>	<u>\$ -</u>

It is the policy of the city of Dacono to accept the maintenance responsibility for water, sanitation, traffic and safety controls, park and recreation improvements (except for a pool and associated landscaping), mosquito and pest control, transportation and other related improvements within Dacono only after a probationary period following completion of construction. When the improvements enter the probationary period, the District removes the cost of construction from its statement of net position.

During 2022, major conveyances to the City of Dacono include Filing 4 & 5 and General costs in the amount of \$5,628,296.

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

NOTE 5 RELATED PARTY

All three members of the Board of Directors are employees and are associated with Bellock Construction Company, construction manager and accountants for the District, Dacono Properties LLC and Dacono Development Company, Inc., the developers within the District. During 2022, Districts No. 1, No. 2, and No. 3 had the same Board of Directors.

Construction Management Agreement

A construction management agreement was entered into during 2004 between the District and Bellock Construction Company. The agreement calls for Bellock Construction Company to provide management services for all activities related to construction projects to be completed within Sweetgrass Metropolitan Districts No. 1 and No. 2. The agreement expires on December 31 of each year, but is automatically extended for a successive annual period so long as sufficient funds have been appropriated, unless contrary action is taken.

Amounts paid to Bellock Construction Company during 2022 for construction and construction management were \$46,893 and \$7,570, respectively.

Accounting Services Agreement

An accounting services contract was entered into with Bellock Construction Company on March 25, 2004. Under this agreement, accounting services are provided to both District No. 1 and District No. 2 at the hourly rates of Bellock Construction Company employees. During 2022, the District incurred accounting services fees in the amount of \$21,170.

Private Placement Long Term Obligations

On June 16, 2022, the District issued to Dacono Development Company (the Developer), a related party, Series 2022B Bonds (draw-down bonds) in the aggregate principal amount of up to \$51,500,000. The District received their first draw during 2022. The Bonds have an interest rate of 7.95% (see Note 6). As of December 31, 2022, the outstanding balance of the Series 2022B Bonds is \$4,624,030.

NOTE 6 LONG-TERM OBLIGATIONS (PRIVATE PLACEMENT)

The District's long-term obligations consist of the following for the year ended December 31, 2022:

	Balance at January 1, 2022	Additions	Reductions	Balance at December 31, 2022	Due Within One Year
Private Placement:					
Series 2022B Bonds	\$ -	\$ 4,624,030	\$ -	\$ 4,624,030	\$ -
Total	<u>\$ -</u>	<u>\$ 4,624,030</u>	<u>\$ -</u>	<u>\$ 4,624,030</u>	<u>\$ -</u>

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

NOTE 6 LONG-TERM OBLIGATIONS (PRIVATE PLACEMENT) (CONTINUED)

Subordinate General Obligation Limited Tax Bonds, Series 2022B

On June 16, 2022, the District issued Series 2022B Bonds to Dacono Development Company (the Developer) in the aggregate principal amount of up to \$51,500,000. The bonds were issued for the purpose of providing moneys which will be sufficient to refund, on a current refunding basis, District No. 2's Subordinate Limited Tax General Obligations Bonds, Series 2018C (Refunded Bonds), financing capital projects for the benefit of the District, and paying costs of issuance related to the bonds.

The Series 2022B Bonds bear an interest rate of 7.95%, which is payable annually on December 15, commencing on December 15, 2022. The Series 2022B Bonds will mature on December 15, 2061.

The initial draw on the Bonds in 2022 is \$4,624,030. The District incurred \$199,122 in interest expense for the year ended December 31, 2022 for these bonds.

Debt Authorization

The Amended and Restated Consolidated Service Plan, dated November 19, 2021, increased the debt limit, in conjunction with District No. 3 of \$47,000,000. At December 31, 2022, the District had remaining authorized but unissued indebtedness of \$42,375,970.

NOTE 7 INTERGOVERNMENTAL REVENUES AND EXPENDITURES

The following intergovernmental revenue and expenses occurred during fiscal year ended December 31, 2022:

	<u>Sweetgrass Metropolitan District No. 1</u>	<u>Sweetgrass Metropolitan District No. 2</u>	<u>Sweetgrass Metropolitan District No. 3</u>	<u>Total Revenues</u>
Sweetgrass Metropolitan:				
District No. 1	\$ -	\$ 155,000	\$ 17,500	\$ 172,500
District No. 2	4,551,267	-	-	4,551,267
District No. 3	8,999	-	-	8,999
Total Expenditures	<u>\$ 4,560,266</u>	<u>\$ 155,000</u>	<u>\$ 17,500</u>	<u>\$ 4,732,766</u>

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

**NOTE 8 DISTRICT FACILITIES CONSTRUCTION AND SERVICE AGREEMENT
(SERVICE CONTRACT) AND OTHER AGREEMENTS**

District Facilities Construction and Service Agreement

In order to implement the Service Plan, the District entered into an intergovernmental agreement with Districts No. 2 and No. 3. The agreement shall remain in full force and effect until such time as each of the terms and conditions have been performed in their entirety or until the agreement is terminated by mutual written agreement by the Districts.

The District is to construct the facilities benefiting all of the Districts and transfer them to the City of Dacono or the HOA. Districts No. 2 and No. 3 will, to the extent that it is to benefit, pay the capital costs and the service costs of operation and maintenance of such facilities. Districts No. 2 and No. 3 are required to fund, on an annual basis, the amount of actual service costs that it would be capable of funding through property tax revenue plus other fee revenue as determined in the annual budget. If the District disagrees as to the amount to be paid, then Districts No. 2 and No. 3 must pay District No. 1 the amount set forth in the annual budget. The Gallagher Amendment, first added to the Colorado Constitution in 1982, required a residential to nonresidential property tax ratio of 45% to 55% and required the state legislature to adjust the residential assessment rate to maintain the required ratio. During fiscal year 2017, the Colorado legislature reduced the residential assessment ratio from 7.96% to 7.20% causing the property tax mill rate for general obligation bonds and service costs to increase from 50 mills to 55.275 mills. The residential assessment ratio decreased to 7.15% in 2019 causing the mills to increase to 55.663 in 2019. During fiscal year 2020, the Gallagher Amendment was repealed. While the residential assessment rate is set in statute at 7.15%, the Colorado legislature approved a temporary reduction to 6.765% for the 2023 and 2024 tax years.

Warranty of Public Improvements

In 2018, Dacono Development Company Inc., entered into a Development Agreement with the city of Dacono. As part of the agreement, Dacono Development Company Inc., on behalf of the District, was required to enter into an Improvement Guarantee (Guarantee) for a period of time sufficient to cover the completion of the public improvements. If Dacono Development Company Inc., is unable to complete the improvements then the city of Dacono has the right to call upon the Guarantee. The amount of the Guarantee shall be 115% of the total estimated costs including labor and material of all the public improvements to be constructed per the agreement. As of the date of the agreement, October 19, 2018, the estimated cost of the improvements was \$4,234,326. The portion of the outstanding letters of credit attributable to District improvements is 33.99%. As of December 31, 2022, the remaining balance of the letter of credit is \$846,865 and the remaining balance of the letter of credit attributable to District improvements is \$287,810. The estimated costs to complete the remaining improvements for the District is \$95,000 as of December 31, 2022.

SWEETGRASS 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 (the Pool) as of December 31, 2022. 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 during the past three years.

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

NOTE 10 TAX, SPENDING, AND DEBT LIMITATIONS

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

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

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 5, 2005, a majority of the District's electors authorized the District to collect and spend or retain in a reserve all annual District revenue 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.

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

NOTE 11 NET POSITION

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

Restricted net position includes net position that is restricted for use either by 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 deficit net position at December 31, 2022 of (\$4,797,979). This deficit amount is the result of the District being responsible for the repayment of Series 2022B Bonds issued for public improvements.

REQUIRED SUPPLEMENTARY INFORMATION

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

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Property Taxes	\$ 2	\$ 2	\$ 2	\$ -
Net Investment Income	-	24	24	-
Transportation Impact Fees	-	208,802	208,802	-
Intergovernmental - Sweetgrass Metropolitan Districts No. 2 and No. 3	40,000	172,500	172,500	-
Total Revenues	<u>40,002</u>	<u>381,328</u>	<u>381,328</u>	<u>-</u>
EXPENDITURES				
Current:				
Treasurer and Director Fees	60	60	60	-
Accounting	20,000	21,170	21,170	-
Audit	13,000	12,075	12,075	-
Insurance	3,500	3,257	3,257	-
Intergovernmental - Sweetgrass Metropolitan Districts No. 2 and No. 3	57,500	4,560,266	4,560,266	-
Other	10,000	1,237	1,237	-
Legal	20,000	35,269	35,269	-
Letter of Credit Fees	21,980	4,411	4,411	-
Debt Service:				
Closing Costs	-	167,500	167,500	-
Capital Outlay	400,000	146,058	146,058	-
Total Expenditures	<u>546,040</u>	<u>4,951,303</u>	<u>4,951,303</u>	<u>-</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	(506,038)	(4,569,975)	(4,569,975)	-
OTHER FINANCING SOURCES				
Proceeds from Series 2022B Bonds	<u>-</u>	4,624,030	4,624,030	-
Total Other Financing Sources	<u>-</u>	<u>4,624,030</u>	<u>4,624,030</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(506,038)	54,055	54,055	-
Fund Balances - Beginning of Year	<u>554,815</u>	<u>568,308</u>	<u>(28,882)</u>	<u>(597,190)</u>
FUND BALANCES - END OF YEAR	<u>\$ 48,777</u>	<u>\$ 622,363</u>	<u>\$ 25,173</u>	<u>\$ (597,190)</u>



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SWEETGRASS METROPOLITAN DISTRICT NO. 2

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2022



CPAs | CONSULTANTS | WEALTH ADVISORS

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**SWEETGRASS METROPOLITAN DISTRICT NO. 2
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YEAR ENDED DECEMBER 31, 2022**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Sweetgrass Metropolitan District No. 2
Dacono, Colorado

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of Sweetgrass Metropolitan District No. 2, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise Sweetgrass Metropolitan District No. 2's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Sweetgrass Metropolitan District No. 2, as of December 31, 2022, and the respective changes in financial position 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 (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Sweetgrass Metropolitan District No. 2 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Sweetgrass Metropolitan District No. 2's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' 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 auditors' 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 GAAS 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 GAAS, 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 Sweetgrass Metropolitan District No. 2's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Sweetgrass Metropolitan District No. 2's ability to continue as a going concern for a reasonable period of time.

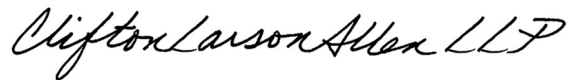
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management omitted the 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, 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 opinions on the basic financial statements are not affected by this missing information.



CliftonLarsonAllen LLP

Broomfield, Colorado
May 5, 2023

SWEETGRASS METROPOLITAN DISTRICT NO. 2
STATEMENT OF NET POSITION
DECEMBER 31, 2022

	Governmental Activities
ASSETS	
Unrestricted Cash and Investments	\$ 279,603
Restricted Cash and Investments	198,079
Due from Other Governments	2,760
Prepaid Items	235,557
Property Tax Receivable	675,765
Total Assets	1,391,764
LIABILITIES	
Due Within the Year:	
Series 2022 Bonds	120,000
Due in More Than One Year:	
Developer Advances	1,359,492
Series 2022 Bonds	8,985,000
Bond Premium	40,380
Accrued Interest	138,745
Total Liabilities	10,643,617
DEFERRED INFLOWS OF RESOURCES	
Property Tax Revenue	675,765
Total Deferred Inflows of Resources	675,765
NET POSITION	
Restricted for TABOR	5,422
Unrestricted	(9,933,040)
Total Net Position	\$ (9,927,618)

See accompanying Notes to Financial Statements.

SWEETGRASS METROPOLITAN DISTRICT NO. 2
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022

FUNCTIONS/PROGRAMS	Expenses	Program Revenue Charges for Services	Net Revenue (Expense) and Change in Net Position Governmental Activities
Governmental Activities:			
General Government	\$ 214,145	\$ -	\$ (214,145)
Interest and Related Costs on Long-Term Debt	1,156,777	-	(1,156,777)
	\$ 1,370,922	\$ -	(1,370,922)
	General Revenues		
			653,042
			38,635
			4,551,267
			7,115
			5,250,059
		Change in Net Position	3,879,137
		Net Position - Beginning of Year	(13,806,755)
		Net Position - End of Year	\$ (9,927,618)

See accompanying Notes to Basic Financial Statements.

**SWEETGRASS METROPOLITAN DISTRICT NO. 2
BALANCE SHEET
DECEMBER 31, 2022**

	General Fund
ASSETS	
Unrestricted Cash and Investments	\$ 279,603
Restricted Cash and Investments	198,079
Due from Other Governments	2,760
Prepaid Items	11,263
Property Tax Receivable	675,765
Total Assets	\$ 1,167,470
DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	
DEFERRED INFLOWS OF RESOURCES	
Property Tax Revenue	\$ 675,765
Total Deferred Inflows of Resources	675,765
FUND BALANCE	
Nonspendable for Prepaid Items	11,263
Restricted for TABOR	5,422
Restricted for Debt Service	198,079
Unassigned	276,941
Total Fund Balance	491,705
Total Deferred Inflows of Resources and Fund Balance	\$ 1,167,470

See accompanying Notes to Basic Financial Statements.

**SWEETGRASS METROPOLITAN DISTRICT NO. 2
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUND TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2022**

Total Fund Balance - Total Governmental Fund	\$	491,705
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Prepaid municipal bond insurance is recognized as an asset for governmental activities that is amortized over the life of the related debt.</p>		224,294
<p>Accrued interest payable is recognized for governmental activities, therefore, is not reported as a liability in the governmental fund.</p>		(138,745)
<p>Some liabilities are not due in the current period and, therefore, are not reported in the fund balance sheet.</p>		
Developer Advances		(1,359,492)
2022A Series General Obligation Limited Tax Refunding Bonds		(7,930,000)
2022A Series General Obligation Limited Tax Refunding Bonds Premium		(40,380)
2022B Series General Obligation Limited Tax Refunding Bonds		(1,175,000)
		<u>(10,504,872)</u>
Net Position of Governmental Activities	\$	<u>(9,927,618)</u>

See accompanying Notes to Basic Financial Statements.

**SWEETGRASS METROPOLITAN DISTRICT NO. 2
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – GOVERNMENTAL FUND
YEAR ENDED DECEMBER 31, 2022**

	General Fund
REVENUES	
Property Taxes	\$ 653,042
Specific Ownership Taxes	38,635
Net Investment Income	7,115
Intergovernmental - Metro District No. 1	4,551,267
Total Revenues	5,250,059
EXPENDITURES	
Current:	
Intergovernmental - Metro District No. 1	155,000
County Treasurer's Fees	9,793
Audit	9,870
Accounting	33,481
Insurance	2,069
Trustee Fees	2,000
Miscellaneous	1,932
Debt Service:	
Principal	13,565,748
Interest and Fiscal Charges	1,255,485
Closing Costs	473,015
Bond Insurance	232,921
Prepayment Penalty	96,090
Total Expenditures	15,837,404
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(10,587,345)
OTHER FINANCING SOURCES	
Proceeds from Debt Instrument	10,876,058
Total Other Financing Sources	10,876,058
NET CHANGES IN FUND BALANCE	288,713
Fund Balance - Beginning of Year	202,992
FUND BALANCE - END OF YEAR	\$ 491,705

See accompanying Notes to Basic Financial Statements.

**SWEETGRASS METROPOLITAN DISTRICT NO. 2
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND TO
THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022**

Net Change in Fund Balance - Total Governmental Fund \$ 288,713

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

The issuance of long-term debt provides current financial resources to the governmental fund, while the repayment of the principal on long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

Debt Proceeds	(10,876,058)
Payment of Principal	13,565,748

Governmental fund reports prepaid municipal bond insurance as expenditures. However, for government activities, the prepaid municipal bond insurance is shown in the statement of net position as a prepaid expense.

232,921

The prepaid municipal bond insurance costs are amortized over the life of the bonds. Current year amortization of the prepaid municipal bond insurance of \$8,627 is reported as an expense on the statement of activities.

(8,627)

The change in accrued interest and nonuse fees does not have any impact on governmental fund expenditures. This transaction, however, does increase the amount of interest expense and nonuse fees on the statement of activities.

Accrued Interest	675,254
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The premium on the issuance of bonds is amortized over the life of the bonds. Current year amortization of the premium on bonds of \$1,186 is reported as a reduction of interest expense on the statement of activities.

1,186

Change in Net Position of Governmental Activities

\$ 3,879,137

SWEETGRASS METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Sweetgrass Metropolitan District No. 2 (the District) is a quasi-municipal corporation located within the city limits of Dacono, Colorado (Dacono) created by election in November 2001. The District and Dacono have entered into an Intergovernmental Agreement as required by the Dacono Code, which implemented the District Service Plan and limited certain District statutory powers. The District is governed pursuant to provisions of the Colorado Special District Act to finance construction, operation and maintenance of the facilities located within the Sweetgrass Metropolitan Districts No. 1, No. 2, and No. 3.

Sweetgrass Metropolitan District No. 1 (District No. 1) was organized concurrently with Sweetgrass Metropolitan District No. 2 and Sweetgrass Metropolitan District No. 3 (District No. 3). District No. 1 has the power to provide water, sanitation, storm drainage, streets, traffic and safety controls, and park and recreation improvements and other related improvements for the benefit of taxpayers and service users within the Districts' boundaries. The Service Plan requires District No. 1 to convey the constructed improvements to Dacono or the homeowners association (HOA) for ownership and maintenance.

Sweetgrass Metropolitan District No. 1 is intended to serve as the "operating district" while Sweetgrass Metropolitan Districts No. 2 and No. 3 are intended to serve as the "financing districts". The operating district is responsible for providing the day-to-day operations and administrative management of all three of the Districts. The operating district is economically dependent upon intergovernmental revenue received from the financing districts.

The Service Plan has been replaced by the Amended and Restated Consolidated Service Plan, dated November 19, 2021 and approved by Dacono on November 22, 2021 (the Amended and Restated Service Plan). The Amended and Restated Service Plan provides for the District to have a new debt limit of \$11,500,000. In addition, the District plans to exclude a portion of property currently within its boundaries and include that property in District No. 2.

The District has no employees and all services are contracted.

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, including District No. 1, District No. 3, and Dacono.

SWEETGRASS METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

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. Governmental activities are normally supported by taxes.

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

The District is responsible for the repayment of bonds issued for the purpose of constructing infrastructure improvements which will be conveyed to Dacono or the HOA. The funds generated through the issuance of the bonds have been transferred to District No. 1 for that purpose. Consequently, a deficit balance is reflected on the District's statement of 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 charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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.

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

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 government 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. Expenditures generally are recorded when a liability is incurred as under accrual accounting. However, debt service expenditures, including nonuse fees, are recorded only when payment is due.

SWEETGRASS METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The District reports the following major governmental fund:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government.

Budgets

In accordance with the State Budget Law, the District's Board of Directors (the Board) 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 level and lapses at year-end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated. The adopted budgets for the General Fund and Debt Service fund have been consolidated and reflected as the General Fund Budget for financial reporting purposes.

Property Taxes

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

Property taxes are recorded initially as deferred inflows of resources in the year they are levied and measurable. The property tax revenue is recorded as revenue in the year they are available or collected.

Fund Balance and Net Position

Net position is reported in the governmental activities and is classified as restricted or unrestricted. Restrictions of net position represent amounts that are not available for appropriation or are legally restricted. As of December 31, 2022, fund balances of governmental funds are classified as follows:

Nonspendable – amounts that cannot be spent either because they are not spendable in form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation.

SWEETGRASS METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance and Net Position (Continued)

Committed – amounts that are subject to a purpose constraint imposed by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. Commitments may be established, modified or rescinded only through resolutions approved by the Board.

Assigned – amounts that are subject to a purpose constraint that represents an intended use established by the District in its budget process. The purpose of the assignment must be narrower than the purpose of the General Fund.

Unassigned – represents the residual classification for the District’s General Fund and could report a surplus or deficit.

Restricted Fund Balance

Emergency reserves have been provided for as required by Article X, Section 20 of the Constitution of the state of Colorado (see Note 9). \$5,422 of the General Fund balance has been reserved in compliance with this requirement. The District’s order of fund balance spending policy is to apply expenditures against restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance. The District reserves the right to selectively spend unassigned fund balance.

Nonspendable fund balance of \$11,263 is equal to the amount of prepaid insurance for the District that will benefit a future period.

The District has a balance of \$198,079 which is considered restricted fund balance for debt service.

NOTE 3 CASH AND INVESTMENTS

Cash and investments reflected on the statement of net position as of December 31, 2022 consist of the following:

Cash Deposits	\$	279,603
Restricted Investments		198,079
Total Cash		\$ 477,682

Cash Deposits

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 fair value of the collateral must be at least equal to the aggregate uninsured deposits.

SWEETGRASS METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Cash Deposits (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 carrying balance of \$279,603.

Investments

The District has not adopted a formal investment policy; however, it follows state statutes regarding investments. The District also follows investment policies in bond or note agreements when those agreements are more restrictive than state statutes. 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 disclosure requirements or subject to investment custodial credit risk for investments that are in the possession of another party.

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

Colorado revised statutes limit investment maturities to five years or less depending on the specific investment held unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements. Revenue bonds of U.S. local government, corporate and bank securities and guaranteed investment contracts not purchased with bond proceeds are limited to maturities of three years or less.

SWEETGRASS METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

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

<u>Investment</u>	<u>Maturity</u>	<u>Amortized Cost</u>
*Money Market Fund - CSAFE	Less than One Year	<u>\$ 198,079</u>

As of December 31, 2022, the District had \$198,079 invested in CSAFE Money Market Funds. The investment is rated AAmmf by Fitch Ratings and is valued at amortized cost. Based on the valuation method, additional disclosures are not required under GASB Statement No. 72.

NOTE 4 LONG-TERM OBLIGATIONS

The District's long-term obligations consist of the following for the year ended December 31, 2022:

	<u>Balance at January 1, 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at December 31, 2022</u>	<u>Due Within One Year</u>
General Obligation:					
Limited Tax Notes Series 2018A	\$ 9,769,000	\$ -	\$ 9,769,000	\$ -	\$ -
Subordinate Limited Tax Bond - Series 2018C	3,426,748	150,000	3,576,748	-	-
Subordinate Limited Tax Bond - Series 2022A	-	8,150,000	220,000	7,930,000	120,000
Subordinate Limited Tax Bond - Series 2022A Premium	-	41,566	1,186	40,380	-
Subordinate Limited Tax Bond - Series 2022B	-	1,175,000	-	1,175,000	-
Total General Obligation	<u>13,195,748</u>	<u>9,516,566</u>	<u>13,566,934</u>	<u>9,145,380</u>	<u>120,000</u>
Private Placement:					
Developer Advances	-	1,359,492	-	1,359,492	-
Total Private Placement	<u>-</u>	<u>1,359,492</u>	<u>-</u>	<u>1,359,492</u>	<u>-</u>
Total Long-Term Obligations	<u>\$ 13,195,748</u>	<u>\$ 10,876,058</u>	<u>\$ 13,566,934</u>	<u>\$ 10,504,872</u>	<u>\$ 120,000</u>

Series 2018A Note

The District issued the 2018A Limited Tax General Obligation Note on June 29, 2018 in the amount of \$10,000,000. The proceeds of such debt were used to refund all of the amounts due on the District's General Obligation Limited Tax Bonds, Series 2016; refund, pay and discharge all remaining amounts due on the Series 2005 Note in District No. 1; pay for a portion of the Public Improvements; repay or reimburse a portion of the amounts owed under the Capital Costs Agreement; and pay costs of issuance on the Note. Interest payments are due June 1 and December 1 of each year.

SWEETGRASS METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

Series 2018A Note (Continued)

The District does not have optional prepayment of principal until the fifth anniversary through the sixth anniversary of the date of the Note. A prepayment fee of 1% will be added to the principal balance if prepayment occurs after the fifth anniversary but before the sixth anniversary date. No prepayment fee is incurred if prepayment occurs after the sixth anniversary date of the Note. In June of 2022, the District issued Senior and Subordinate Limited Tax Refunding Bonds Series 2022A and 2022B. The bond proceeds were used to pay off the remaining principal balance of \$9,769,000 and interest balance of \$173,643. The District incurred \$147,012 in interest expense on the 2018A Note for the year ended December 31, 2022.

As part of the 2018A Note agreement, the District was able to issue 2018B Note by authorizing and executing the 2018B Loan Agreement in an amount not to exceed \$10,000,000. The 2018B Loan was to be considered parity debt with the 2018A Note. The the 2018B Loan Agreement was executed, but unused, and was closed in January 2022.

Series 2018C Bonds

The District issued the 2018C Subordinate Limited Tax General Obligation Bonds on December 4, 2018 for an amount not to exceed \$11,000,000. The proceeds of such debt were used for project costs and costs of issuing the Bonds. The Bonds are subordinate to the repayment of the Series 2018A and 2018B Note. The District drew down \$6,252,500 of principal on the date of issuance. The Bonds are subject to redemption prior to maturity at the option of the District as well as mandatory redemption for excess funds in the Subordinate Bond Fund to be first applied to interest then principal as a whole or in denominations of \$1,000. The Bonds will mature on December 1, 2048 and bear interest at a rate of 8% calculated based on a 360-day year payable solely and to the extent of Subordinate Pledged Revenue. Interest payments are due on December 15 of each year beginning on December 15, 2019.

In February 2022, there was an additional draw on the 2018C Bond for \$150,000. The District incurred \$129,914 in interest expense on the 2018C Bonds for the year ended December 31, 2022. On June 16, 2022, District No. 1 issued Subordinate General Obligation Limited Tax Bonds, Series 2022B, to Dacono Development Company in the aggregate principal amount of up to \$51,500,000. The bonds were issued for the purpose of providing moneys sufficient to refund, on a current refunding basis, the District's Series 2018C bonds, financing capital projects for the benefit of District No. 1, and paying costs of issuance related to the bonds. Proceeds were used to pay off the 2018C remaining principal balance of \$3,576,748 and accrued interest balance of \$917,282. The Series 2022B Bonds are recorded within District No. 1.

SWEETGRASS METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

Series 2022A and 2022B Senior and Subordinate General Obligation Limited Tax Refunding Bonds

On June 16, 2022, the District issued \$8,150,000 of senior and \$1,175,000 of subordinate general obligation limited tax refunding bonds. The bonds were issued for the purpose of refunding the 2018A Loan, purchasing the insurance policy, paying costs of issuance in connect with the Bonds, and in the case of the 2022A Senior Bonds only, funding a portion of the initial interest to accrued on the Series 2022A Senior Bonds and funding a portion of a reserve fund for the Series 2022A Senior Bonds.

The prior debt service for the 2018A Loan was \$22,989,292 while the debt service for the new 2022A and 2022B bonds is \$15,213,960, resulting in an aggregate debt service savings of \$7,775,332. The present value saving for these cash flows resulted in an economic gain of \$3,033,966.

The Senior 2022A Bonds bear a coupon interest rate of 4% to 5% per annum which is payable semi-annually on June 1 and December 1, commencing December 1, 2022, subject to optional and mandatory sinking fund redemption prior to maturity. The Series 2022A Bonds will mature on December 1, 2048. The Series 2022A Senior Bonds will constitute limited tax general obligations of the District payable solely from the Senior Pledged Revenue and certain District funds and accounts established by the Senior Pledged Revenue. This consists primarily of revenues derived from a District property tax levy of not more than 55.663 mills commencing with the December 2022 mill levy certification and continuing through the December 2024 mill levy certification, and then not in excess of 51.663 mills commencing with the December 2025 mill levy certification and continuing each year thereafter, less the amount needed for current and annual reasonable operation, maintenance and administrative obligations of the District, and the portion of the specific ownership taxes on motor vehicles imposed by the state of Colorado and is attributable to such tax levy. The Series 2022A Senior Bonds will constitute an irrevocable, but nonexclusive, first lien on the Senior Pledged Revenue and the amounts in such funds and accounts. The District made \$164,560 of interest payments in 2022 and incurred \$193,543 in interest expense for the year ended December 31, 2022 for these bonds.

The Series 2022B Subordinate Bonds bear a coupon interest rate of 7.5% per annum which is payable annually on December 15, commencing December 15, 2022, to the extent of Subordinate Pledged Revenue available. The 2022B Subordinate Bonds mature on December 15, 2049. The 2022B Subordinate Bonds will also constitute limited tax general obligations of the District payable solely from the Subordinate pledged Revenue and certain Districts Funds and accounts established by the Subordinate Pledged Revenue. This consists primarily of the revenues derived from a District property tax levy of not more than 55.663 mills commencing with the December 2022 mill levy certification and continuing through the December 2024 mill levy certification, and then not in excess of 51.663 mills commencing with the December 2025 mill levy certification and continuing each thereafter, less the O&M Carve-Out (and less the amount levied for purposes of the Series 2022A Senior Bonds), and the specific ownership taxes attributable to such tax levy. The Series 2022B Subordinate Bonds constitute an irrevocable, but nonexclusive, subordinate lien on the Subordinate Pledged Revenue and the amounts held in the funds and accounts established by the Subordinated Pledged Revenue.

SWEETGRASS METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

The Series 2022B Subordinate Bonds are structured as “cash flow” bonds. There are no scheduled payments of principal on the 2022B Subordinate Bonds prior to their maturity date, but rather the Subordinate Bonds are subject to mandatory redemption on each December 15 prior to maturity from and to the extent of any available Subordinate Pledged Revenue. All Series 2022B Subordinate Bonds and interest thereon will be deemed to be paid, satisfied and discharged on December 31, 2049, regardless of principal and interest paid on the Series 2022B Subordinate Bonds prior to such date. The District incurred \$47,490 in interest expense for the year ended December 31, 2022 for these Bonds.

The 2022A Senior Limited Tax General Obligation Refunding Bonds will mature as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 120,000	\$ 347,800	\$ 467,800
2024	145,000	341,800	486,800
2025	150,000	334,550	484,550
2026	145,000	327,050	472,050
2027	150,000	319,800	469,800
2028-2032	975,000	1,470,750	2,445,750
2033-2037	1,375,000	1,189,500	2,564,500
2038-2042	1,875,000	832,000	2,707,000
2043-2047	2,430,000	414,600	2,844,600
2048	565,000	22,600	587,600
Total	<u>\$ 7,930,000</u>	<u>\$ 5,600,450</u>	<u>\$ 13,530,450</u>

The annual debt service requirements on the 2022B Subordinate Bonds are not currently determinable since they are payable only from available Subordinate Pledged Revenue.

PRIVATE PLACEMENT

Developer Advances

In 2022, the Developer agreed to advance the District funds of \$1,359,492 for eligible costs incurred in furtherance of the District’s permitted purposes. All Developer Advances have an interest rate of 8.5%. Total interest expense incurred for the Developer Advances is \$62,272 for the year ended December 31, 2022.

Debt Authorization

The District voters approved \$164,000,000 of revenue obligation debt in 2005 at an interest rate not to exceed 18% per annum. At December 31, 2022, the District had \$153,535,508 in authorized but unissued debt. 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.

SWEETGRASS METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 5 RELATED PARTY

Three members of the Board of Directors are employees and are associated with Bellock Construction Company, construction manager and accountants for the District, Dacono Properties LLC and Dacono Development Company, Inc., the Developers within the District. During 2022, Districts No. 1, No. 2, and No. 3 had the same Board of Directors (see Note 6).

Accounting Services Agreement

An accounting services contract was entered into with Bellock Construction Company during 2002. This agreement was subsequently amended on March 25, 2004. Under this amended agreement, accounting services are provided to the District at the annual hourly rates of Bellock Construction Company employees. During 2022, the District incurred accounting services fees in the amount of \$33,481.

Private Placement Long Term Obligations

Dacono Properties, a related party, advanced the District for capital costs incurred in furtherance of the District's permitted purpose. The District received advances of \$1,349,492 in 2022. All Developer advances have an interest rate of 8.5%. As of December 31, 2022, the outstanding balance of the Capital Loan is \$1,349,492.

**NOTE 6 DISTRICT FACILITIES CONSTRUCTION AND SERVICE AGREEMENT
(SERVICE CONTRACT)**

In order to implement the Service Plan, District No. 1 approved an intergovernmental agreement with the District and District No. 3. The agreement shall remain in full force and effect until such time as each of the terms and conditions have been performed in their entirety or until the agreement is terminated by mutual written agreement by the Districts.

District No. 1 is to construct the facilities benefiting the three Districts and transfer them to Dacono or the HOA. The District and District No. 3 will, to the extent that they are to benefit, pay the capital costs and the service costs of operation and maintenance of such facilities.

The Gallagher Amendment, first added to the Colorado Constitution in 1982, required a residential to nonresidential property tax ratio of 45% to 55% and required the state legislature to adjust the residential assessment rate to maintain the required ratio. The District and District No. 3 are required to fund, on an annual basis, the amount of actual service costs that each District would be capable of funding through property tax revenue plus other fee revenue as determined in the annual budget. If the Districts disagree as to the amount to be paid, then the District and District No. 3 must pay District No. 1 the amount set forth in the annual budget. During fiscal year 2017, the Colorado legislature reduced the residential assessment ratio from 7.96% to 7.20% causing the property tax mill rate for general obligation bonds and service costs to increase from 50 mills to 55.275 mills. The residential assessment ratio decreased to 7.15% in 2019 causing the mills to increase to 55.663 for taxes to be collected in 2020. During fiscal year 2020, the Gallagher Amendment was repealed. While the residential assessment rate is set in statute at 7.15%, the Colorado legislature approved a temporary reduction to 6.765% for the 2023 and 2024 tax years.

SWEETGRASS METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 7 INTERGOVERNMENTAL REVENUES AND EXPENDITURES

The following intergovernmental revenue and expenses occurred during fiscal year ended December 31, 2022:

	Sweetgrass Metropolitan District No. 1	Sweetgrass Metropolitan District No. 2	Sweetgrass Metropolitan District No. 3	Total Revenues
Sweetgrass Metropolitan:				
District No. 1	\$ -	\$ 155,000	\$ 17,500	\$ 172,500
District No. 2	4,551,267	-	-	4,551,267
District No. 3	8,999	-	-	8,999
Total Expenditures	<u>\$ 4,560,266</u>	<u>\$ 155,000</u>	<u>\$ 17,500</u>	<u>\$ 4,732,766</u>

NOTE 8 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 (the Pool) as of December 31, 2022. 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 during the past three years.

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

NOTE 9 TAX, SPENDING, AND DEBT LIMITATIONS

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

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

SWEETGRASS METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 9 TAX, SPENDING, AND DEBT LIMITATIONS (CONTINUED)

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 5, 2005, a majority of the District's electors authorized the District to collect and spend or retain in a reserve all annual District revenue 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.

NOTE 10 NET POSITION

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

Restricted net position includes net position that is restricted for use either by 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 deficit net position at December 31, 2022 of (\$9,927,618). This deficit amount is the result of the District being responsible for the repayment of Series 2022A Bonds, Series 2022B Bonds, and Developer Advances issued for public improvements.

REQUIRED SUPPLEMENTARY INFORMATION

SWEETGRASS METROPOLITAN DISTRICT NO. 2
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED DECEMBER 31, 2022

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Property Taxes	\$ 652,774	\$ 653,042	\$ 653,042	\$ -
Specific Ownership Taxes	32,639	38,635	38,635	-
Net Investment Income	-	7,115	7,115	-
Intergovernmental - Metro District No. 1	47,941	4,551,267	4,551,267	-
Total Revenues	<u>733,354</u>	<u>5,250,059</u>	<u>5,250,059</u>	<u>-</u>
EXPENDITURES				
Current:				
Intergovernmental - Metro District No. 1	-	155,000	155,000	-
County Treasurer's Fees	9,792	9,793	9,793	-
Audit	10,500	9,870	9,870	-
Accounting	25,000	33,481	33,481	-
Insurance	2,750	2,069	2,069	-
Trustee Fees	7,000	2,000	2,000	-
Miscellaneous	28,455	1,931	1,932	(1)
Debt Service:				
Principal	10,626,161	13,565,748	13,565,748	-
Interest and Fiscal Charges	1,763,908	1,255,485	1,255,485	-
Nonuse Fee	4,583	-	-	-
Loan Origination Fees	661,082	802,028	-	802,028
Closing Costs	-	-	473,015	(473,015)
Bond Insurance	-	-	232,921	(232,921)
Prepayment Penalty	-	-	96,090	(96,090)
Total Expenditures	<u>13,139,231</u>	<u>15,837,405</u>	<u>15,837,404</u>	<u>1</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(12,405,877)	(10,587,346)	(10,587,345)	1
OTHER FINANCING SOURCES				
Proceeds from Debt Instrument	<u>12,355,000</u>	<u>10,876,058</u>	<u>10,876,058</u>	-
Total Other Financing Sources	<u>12,355,000</u>	<u>10,876,058</u>	<u>10,876,058</u>	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	(50,877)	288,712	288,713	1
Fund Balances - Beginning of Year	<u>189,737</u>	<u>189,737</u>	<u>202,992</u>	<u>13,255</u>
FUND BALANCES - END OF YEAR	<u>\$ 138,860</u>	<u>\$ 478,449</u>	<u>\$ 491,705</u>	<u>\$ 13,256</u>



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