

SWEETGRASS METROPOLITAN DISTRICT NO. 1

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2021



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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, 2021, 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, 2021, 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.

Emphasis-of-Matter Regarding Correction of an Error

As discussed in Note 10 to the financial statements, the District had a restatement of net position as of December 31, 2020, due to previous construction costs incurred that were ineligible under the previous Service Plan. These costs were removed in 2021. Our opinions are not modified with respect to this matter.

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.

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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 12 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.

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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 opinion on the basic financial statements is not affected by this missing information.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Broomfield, Colorado
April 28, 2022

SWEETGRASS METROPOLITAN DISTRICT NO. 1
STATEMENT OF NET POSITION
DECEMBER 31, 2021

	Governmental Activities
ASSETS	
Cash and Investments	\$ 830
Restricted Cash	567,478
Refundable Deposits	55,349
Property Tax Receivable	2
Prepaid Expenses	3,296
Construction in Progress	5,482,238
Total Assets	6,109,193
LIABILITIES	
Current Liabilities Due in Less Than One Year:	
Accounts Payable and Retainage Payable	655,835
Total Liabilities	655,835
DEFERRED INFLOWS OF RESOURCES	
Property Tax Revenue	2
Total Deferred Inflows of Resources	2
NET POSITION	
Net Investment in Capital Assets	4,844,265
Restricted for TABOR	4
Restricted for Capital Projects	567,478
Unrestricted	41,609
Total Net Position	\$ 5,453,356

See accompanying Notes to Financial Statements.

**SWEETGRASS METROPOLITAN DISTRICT NO. 1
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021**

Functions/Programs	Expenses	Program Revenue Charges for Services	Net Revenue (Expense) and Change in Net Position Governmental Activities
Governmental Activities:			
General Government	\$ 168,368	\$ -	\$ (168,368)
Public Works	38,777	-	(38,777)
	\$ 207,145	\$ -	(207,145)
General Revenues:			
Property Taxes			2
Net Investment Income			116
Intergovernmental Revenue - Districts No. 2 and No. 3			296,000
Total General Revenues			296,118
Change in Net Position			88,973
Net Position - Beginning of Year, as Restated			5,364,383
Net Position - End of Year			\$ 5,453,356

See accompanying Notes to Basic Financial Statements.

**SWEETGRASS METROPOLITAN DISTRICT NO. 1
BALANCE SHEET
DECEMBER 31, 2021**

	General Fund
ASSETS	
Cash and Investments	\$ 830
Restricted Cash	567,478
Refundable Deposits	55,349
Property Tax Receivable	2
Prepaid Items	3,296
Total Assets	\$ 626,955
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	
LIABILITIES	
Accounts Payable and Retainage Payable	\$ 655,835
Total Liabilities	655,835
DEFERRED INFLOWS OF RESOURCES	
Property Tax Revenue	2
Total Deferred Inflows of Resources	2
FUND BALANCE	
Nonspendable	3,296
Restricted for TABOR	4
Unassigned	(32,182)
Total Fund Balance	(28,882)
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 626,955

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, 2021**

Total Fund Balance - Total Governmental Fund	\$ (28,882)
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund balance sheet:	
Capital Assets, Not Being Depreciated	<u>5,482,238</u>
Net Position of Governmental Activities	<u><u>\$ 5,453,356</u></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, 2021**

	<u>General Fund</u>
REVENUES	
Property Taxes	\$ 2
Net Investment Income	116
Intergovernmental - Sweetgrass	
Metropolitan District No. 2 and No. 3	296,000
Total Revenues	<u>296,118</u>
EXPENDITURES	
Current:	
Treasurer and Director Fees	60
Accounting	22,990
Audit	12,075
Insurance	3,520
Legal	30,937
LC Fees	21,920
Other	1,538
Intergovernmental - Sweetgrass	
Metropolitan District No. 2 and No. 3	75,328
Capital Outlay	1,293,444
Total Expenditures	<u>1,461,812</u>
NET CHANGE IN FUND BALANCES	(1,165,694)
Fund Balance - Beginning of Year	<u>1,136,812</u>
FUND BALANCE - END OF YEAR	<u><u>\$ (28,882)</u></u>

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, 2021**

Net Change in Fund Balance - Total Governmental Fund	\$ (1,165,694)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>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.</p>	
Capital Outlay	1,293,444
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.	(38,777)
Change in Net Position of Governmental Activities	\$ 88,973

See accompanying Notes to Basic Financial Statements.

SWEETGRASS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

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.

The District 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 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 addition, the District plans to expand its boundaries in 2022 to include a portion of property within District No. 2's boundaries.

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, 2021

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, 2021

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.

Compliance

For the year ended December 31, 2021, the General Fund had a deficit fund balance of \$(28,882).

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, 2021, 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, 2021

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, \$4 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, 2021 consist of the following:

Cash Deposits	\$ 606
Restricted Cash Held in Escrow for Capital Projects	567,478
Investments	224
Total Cash and Investments	<u><u>\$ 568,308</u></u>

SWEETGRASS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

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, 2021, the District's cash deposits had a carrying balance of \$568,084.

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, 2021**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

As of December 31, 2021, the District had the following investments:

Investment	Maturity	Amortized Cost
Colorado Surplus Asset Fund Trust *	Less than One Year	<u>\$ 224</u>

Colorado Surplus Asset Trust Fund *

As of December 31, 2021, the District had invested \$224 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 AAAM by Standard & Poor's 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, 2021 follows:

	Balance at January 1, 2021 (Restated)	Additions	Reductions	Balance at December 31, 2021
Construction in Progress	<u>\$ 4,227,571</u>	<u>\$ 1,293,444</u>	<u>\$ 38,777</u>	<u>\$ 5,482,238</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.

In 2021, District Nos. 2 and 3 and the District worked with the city of Dacono to update their Service Plan. During this collaborative process, it was discovered that the then current Service Plan, Exhibit H included a provision that certain costs were deemed to be ineligible for the Districts, as determined by Dacono. The District quantified \$3,133,252 of ineligible costs that had been incurred by the District. These costs, which were previously included in the District, were removed in 2021. Of the total identified costs, \$1,805,765 were previously conveyed to Dacono. As such, these costs were not reflected in the Construction in Progress balance as of December 31, 2020. The balance as of January 1, 2021 reflects the reduction of ineligible costs not yet conveyed, a total of \$1,327,487.

During 2021, major conveyances to the City of Dacono include Filing 2 Sewer Extension and General costs in the amount of \$38,777.

**SWEETGRASS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 5 RELATED PARTY

All three members of the Board of Directors are employees or 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 2021, 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 2021 for construction and construction management were \$58,962 and \$60,966, 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 2021, the District incurred accounting services fees in the amount of \$22,990.

NOTE 6 INTERGOVERNMENTAL REVENUES AND EXPENDITURES

The following intergovernmental revenue and expenses occurred during fiscal year ended December 31, 2021:

	Sweetgrass Metropolitan District No. 1	Sweetgrass Metropolitan District No. 2	Sweetgrass Metropolitan District No. 3	Total Revenues
Sweetgrass Metropolitan:				
District No. 1	\$ -	\$ 256,000	\$ 40,000	\$ 296,000
District No. 2	67,608	-	-	67,608
District No. 3	7,720	-	-	7,720
Total Expenditures	<u>\$ 75,328</u>	<u>\$ 256,000</u>	<u>\$ 40,000</u>	<u>\$ 371,328</u>

**SWEETGRASS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

**NOTE 7 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. 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.

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, 2021, the remaining balance of the letters of credit was \$4,234,326 and the remaining balance of the letters of credit attributable to District Improvements was \$1,439,051.

SWEETGRASS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

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, 2021. 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.

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, 2021

NOTE 10 RESTATEMENT

As mentioned in Note 4, in 2021 the District discovered that the then Service Plan included a provision that certain costs were deemed ineligible for the Districts. Due to this, net position was restated as of December 31, 2020 to reflect the reduction of the ineligible costs included in net position as of year-end.

	<u>Net Position</u>
December 31, 2020 as Originally Stated	<u>\$ 6,691,870</u>
Restatement Amount	<u>(1,327,487)</u>
December 31, 2020 as Restated	<u><u>\$ 5,364,383</u></u>

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, 2021**

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Property Taxes	\$ 2	\$ 2	\$ 2	\$ -
Net Investment Income	-	-	116	116
Intergovernmental - Sweetgrass				
Metropolitan Districts No. 2 and No. 3	250,000	250,000	296,000	46,000
Total Revenues	<u>250,002</u>	<u>250,002</u>	<u>296,118</u>	<u>46,116</u>
EXPENDITURES				
Current:				
Treasurer and Director Fees	60	60	60	-
Accounting	40,000	22,990	22,990	-
Audit	13,000	12,075	12,075	-
Insurance	4,000	3,520	3,520	-
Intergovernmental - Sweetgrass				
Metropolitan Districts No. 2 and No. 3	40,550	75,328	75,328	-
Other	10,000	1,545	1,538	7
Legal	20,000	30,937	30,937	-
LC fees	21,980	21,920	21,920	-
Capital Outlay	1,293,362	1,293,444	1,293,444	-
Total Expenditures	<u>1,442,952</u>	<u>1,461,819</u>	<u>1,461,812</u>	<u>7</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	(1,192,950)	(1,211,817)	(1,165,694)	46,123
Fund Balances - Beginning of Year	<u>1,277,336</u>	<u>1,277,336</u>	<u>1,136,812</u>	<u>(140,524)</u>
FUND BALANCES - END OF YEAR	<u>\$ 84,386</u>	<u>\$ 65,519</u>	<u>\$ (28,882)</u>	<u>\$ (94,401)</u>

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