

**THE SANDS METROPOLITAN
DISTRICT NO. 1
El Paso County, Colorado**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2020

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Independent Auditor's Report

Board of Directors
The Sands Metropolitan District No. 1
El Paso County, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of The Sands Metropolitan District No. 1 (the "District") as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

Management's Responsibility 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; 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of The Sands Metropolitan District No. 1 as of December 31, 2020, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States.

Other Matters

Management has 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's financial statements as a whole. The supplementary information as listed in the table of contents is presented for the purposes of legal compliance and additional analysis and is not a required part of the financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, such information is fairly stated in all material respects in relation to the financial statements as a whole.

The other information, as listed in the table of contents, has not been subject to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Sincerely,



Wipfli LLP
Lakewood, Colorado

September 29, 2021

BASIC FINANCIAL STATEMENTS

THE SANDS METROPOLITAN DISTRICT NO. 1
STATEMENT OF NET POSITION
DECEMBER 31, 2020

	Governmental Activities
ASSETS	
Cash and Investments	\$ 40,439
Cash and Investments - Restricted	227,203
Accounts Receivable	20
Accounts Receivable - County Treasurer	43
Due from The Sands Metropolitan District No. 2	58
Due from The Sands Metropolitan District No. 4	38
Prepaid Expenses	5,475
Property Taxes Receivable	4,874
Capital Assets, Not Being Depreciated	13,020,784
Total Assets	13,298,934
LIABILITIES	
Accounts Payable	30,446
Prepaid Homeowner Fees	9,274
Due to The Sands Metropolitan District No. 2	12,155
Noncurrent Liabilities:	
Due in More Than One Year	1,996,832
Total Liabilities	2,048,707
DEFERRED INFLOWS OF RESOURCES	
Property Tax Revenue	4,874
Total Deferred Inflows of Resources	4,874
NET POSITION	
Restricted for:	
Emergency Reserves	3,000
Capital Projects	224,203
Unrestricted	11,018,150
Total Net Position	\$ 11,245,353

See accompanying Notes to Basic Financial Statements.

**THE SANDS METROPOLITAN DISTRICT NO. 1
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020**

		Program Revenues			Net Revenue (Expense) and Change in Net Position
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
FUNCTIONS/PROGRAMS					
Primary Government:					
Government Activities:					
General Government, Including					
Depreciation and Capital	\$ 352,257	\$ 86,975	\$ 11,905	\$ 414,000	\$ 160,623
Interest on Long-Term Debt	1,175,871	-	-	-	(1,175,871)
Total Government Activities	\$ 1,528,128	\$ 86,975	\$ 11,905	\$ 414,000	(1,015,248)
GENERAL REVENUES					
Property Taxes					4,896
Specific Ownership Taxes					533
Total General Revenues					5,429
Special Items:					
Transfer from District No. 2 - Bonds					12,315,000
Total Special Items					12,315,000
CHANGE IN NET POSITION					11,305,181
Net Position - Beginning of Year					(59,828)
NET POSITION - END OF YEAR					\$ 11,245,353

See accompanying Notes to Basic Financial Statements.

**THE SANDS METROPOLITAN DISTRICT NO. 1
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2020**

	General	Capital Projects	Total Governmental Funds
ASSETS			
Cash and Investments	\$ 40,439	\$ -	\$ 40,439
Cash and Investments - Restricted	3,000	224,203	227,203
Accounts Receivable	20	-	20
Accounts Receivable - County Treasurer	43	-	43
Due from The Sands Metropolitan District No. 2	58	-	58
Due from The Sands Metropolitan District No. 4	38	-	38
Prepaid Expenses	5,475	-	5,475
Property Taxes Receivable	975	3,899	4,874
	<u>\$ 50,048</u>	<u>\$ 228,102</u>	<u>\$ 278,150</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICIT)			
LIABILITIES			
Accounts Payable	\$ 30,446	\$ -	\$ 30,446
Prepaid Homeowner Fees	9,274	-	9,274
Due to The Sands Metropolitan District No. 2	12,155	-	12,155
Total Liabilities	<u>51,875</u>	<u>-</u>	<u>51,875</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Property Tax Revenue	975	3,899	4,874
Total Deferred Inflows of Resources	<u>975</u>	<u>3,899</u>	<u>4,874</u>
FUND BALANCES (DEFICIT)			
Nonspendable:			
Prepaid Expenses	5,475	-	5,475
Restricted for:			
Emergencies (TABOR)	3,000	-	3,000
Capital Projects	-	224,203	224,203
Unassigned	(11,277)	-	(11,277)
Total Fund Balances (Deficit)	<u>(2,802)</u>	<u>224,203</u>	<u>221,401</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficit)	<u>\$ 50,048</u>	<u>\$ 228,102</u>	

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

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

Capital Assets, Net

13,020,784

Long-term liabilities, including Developer advance payable and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Developer Advance Payable

(833,013)

Accrued Interest Payable - Developer Advances

(1,163,819)

Net Position of Governmental Activities

\$ 11,245,353

See accompanying Notes to Basic Financial Statements.

THE SANDS METROPOLITAN DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2020

	General	Capital Projects	Total Governmental Funds
REVENUES			
Property Taxes	\$ 979	\$ 3,917	\$ 4,896
Specific Ownership Taxes	107	426	533
District Fees	31,825	-	31,825
Setup Fees	30,450	-	30,450
Status Letter Fee	20,400	-	20,400
Design Fee	4,300	-	4,300
Facilities Fees	-	414,000	414,000
Intergovernmental Revenue	11,905	12,315,000	12,326,905
Total Revenues	99,966	12,733,343	12,833,309
EXPENDITURES			
Current:			
Accounting	8,862	-	8,862
County Treasurer's Fees	15	59	74
Design Fee	4,300	-	4,300
Drainage Maintenance	845	-	845
Insurance and Bonds	400	-	400
Landscape Water	5,243	-	5,243
Legal	27,984	-	27,984
Management	8,550	-	8,550
Setup Fees	30,450	-	30,450
Snow Removal	202	-	202
Status Letter Fee	20,400	-	20,400
Streetlights	109	-	109
Water	157	-	157
Capital Projects:			
Organization Costs	-	55,177	55,177
Capital Outlay	-	13,020,784	13,020,784
Intergovernmental Expense	-	189,504	189,504
Total Expenditures	107,517	13,265,524	13,373,041
EXCESS OF REVENUES UNDER EXPENDITURES	(7,551)	(532,181)	(539,732)
OTHER FINANCING SOURCES (USES)			
Developer Advance	-	13,075,961	13,075,961
Repay Developer Advance	(15,000)	(12,315,000)	(12,330,000)
Transfer (to) from Other Funds	75,000	(75,000)	-
Total Other Financing Sources (Uses)	60,000	685,961	745,961
NET CHANGE IN FUND BALANCES	52,449	153,780	206,229
Fund Balances (Deficit) - Beginning of Year	(55,251)	70,423	15,172
FUND BALANCES (DEFICIT) - END OF YEAR	\$ (2,802)	\$ 224,203	\$ 221,401

See accompanying Notes to Basic Financial Statements.

**THE SANDS METROPOLITAN DISTRICT NO. 1
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES (DEFICIT) OF THE GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020**

Net Change in Fund Balances - Total Governmental Funds \$ 206,229

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

Governmental funds report capital outlays as expenditures. In the statement of activities, capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense, the allocation of the cost of any depreciable asset over the estimated useful life of the asset. Capital outlay, the conveyance of capital assets to other governments and depreciation expense in the current period are as follows:

Capital Outlay 13,020,784

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

Developer Advance (13,075,961)
Repay Developer Advance 12,317,948

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

Accrued Interest on Developer Advance - Change in Liability (1,163,819)

Change in Net Position of Governmental Activities \$ 11,305,181

**THE SANDS METROPOLITAN DISTRICT NO. 1
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2020**

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Property Taxes	\$ 979	\$ 979	\$ 979	\$ -
Specific Ownership Taxes	108	107	107	-
District Fees	-	31,825	31,825	-
Setup Fees	-	30,450	30,450	-
Status Letter Fee	-	20,400	20,400	-
Design Fee	-	4,300	4,300	-
Intergovernmental Revenue	11,919	11,905	11,905	-
Total Revenues	<u>13,006</u>	<u>99,966</u>	<u>99,966</u>	<u>-</u>
EXPENDITURES				
Current:				
Accounting	3,000	8,862	8,862	-
Contingency	700	2,483	-	2,483
County Treasurer's Fees	15	15	15	-
Design Fee	-	4,300	4,300	-
Drainage Maintenance	5,000	845	845	-
Insurance and Bonds	2,500	400	400	-
Landscape Maintenance	20,000	-	-	-
Landscape Water	20,000	5,243	5,243	-
Legal	10,000	27,984	27,984	-
Management	2,400	8,550	8,550	-
Setup Fees	-	30,450	30,450	-
Snow Removal	-	202	202	-
Status Letter Fee	-	20,400	20,400	-
Streetlights	-	109	109	-
Water	-	157	157	-
Total Expenditures	<u>63,615</u>	<u>110,000</u>	<u>107,517</u>	<u>2,483</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(50,609)	(10,034)	(7,551)	2,483
OTHER FINANCING SOURCES (USES)				
Developer Advance	95,000	5,500	-	(5,500)
Transfer from Other Fund	-	75,000	75,000	-
Repay Developer Advance - Principal	-	(15,000)	(15,000)	-
Total Other Financing Sources (Uses)	<u>95,000</u>	<u>65,500</u>	<u>60,000</u>	<u>(5,500)</u>
NET CHANGE IN FUND BALANCE	44,391	55,466	52,449	(3,017)
Fund Balances (Deficit) - Beginning of Year	<u>(41,253)</u>	<u>(55,251)</u>	<u>(55,251)</u>	<u>-</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ 3,138</u>	<u>\$ 215</u>	<u>\$ (2,802)</u>	<u>\$ (3,017)</u>

See accompanying Notes to Basic Financial Statements.

THE SANDS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 DEFINITION OF REPORTING ENTITY

The Sands Metropolitan District No. 1 (the District), a quasi-municipal corporation and political subdivision of the state of Colorado, which was formed on November 27, 2016 and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District's services area is located in El Paso County, Colorado. The District was established to provide financing for the acquisition, construction and installation of streets, traffic and safety controls, parks and recreational facilities, water, storm drainage, sanitation, fire protection, and mosquito control. Under the Consolidated Service Plan, the District is the Service District related to The Sands Metropolitan District Nos. 2-4 (Districts) known as the Financing Districts to serve a new community to be known as The Sands.

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Government-Wide and Fund Financial Statements

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

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

THE SANDS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

The District reports the following major governmental funds:

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

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

THE SANDS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

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

The District has amended its annual budget for the year ended December 31, 2020.

Pooled Cash and Investments

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

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

Capital Assets

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

THE SANDS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

Depreciation expense has been computed using the straight-line method over the following estimated economic useful lives:

Storm Drainage	20 Years
Landscaping and parks	40 Years

As of December 31, 2020, capital assets were still in construction in progress, accordingly, no depreciation for the year ended December 31, 2020.

Equity

Net Position

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

Fund Balance

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

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

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

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

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

**THE SANDS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity (Continued)

Fund Balance (Continued)

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

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

NOTE 3 CASH AND INVESTMENTS

Cash and investments as of December 31, 2020, are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and Investments	\$ 40,439
Cash and Investments - Restricted	<u>227,203</u>
Total	<u><u>\$ 267,642</u></u>

Cash and investments as of December 31, 2020, consist of the following:

Deposits with Financial Institutions	<u>\$ 267,642</u>
	<u><u>\$ 267,642</u></u>

Deposits with Financial Institutions

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

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, 2020, the District had cash deposits and a bank balance of \$270,854 and carrying balance of \$267,642.

Investments

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

**THE SANDS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

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

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

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

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

As of December 31, 2020, the District had no investments.

NOTE 4 CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2020, follows:

	Balance - December 31, 2019	Additions	Decreases	Balance - December 31, 2020
Capital Assets, Not Being Depreciated:				
Construction in Progress:				
Streets	\$ -	\$ 2,882,082	\$ -	\$ 2,882,082
Traffic and Safety Protection	-	14,116	-	14,116
Sewer System	-	6,363,694	-	6,363,694
Water System	-	3,303,451	-	3,303,451
Parks and Recreation	-	457,441	-	457,441
Total Capital Assets, Not Being Depreciated	<u>\$ -</u>	<u>\$ 13,020,784</u>	<u>\$ -</u>	<u>\$ 13,020,784</u>

**THE SANDS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 4 CAPITAL ASSETS (CONTINUED)

During 2021, a portion of the capital assets constructed and acquired by the District will be conveyed to other governmental entities. The costs of all capital assets transferred to other governmental entities will be removed from the District's financial records. There are warranty periods on certain capital assets conveyed to other governments. The District anticipates that the costs, if any, associated with the warranties will be insignificant.

NOTE 5 LONG-TERM OBLIGATIONS

The following is an analysis of the changes in the District's long-term obligations for the year ended December 31, 2020:

	Balance at December 31, 2019	Additions	Retirements	Balance at December 31, 2020	Due Within One Year
Loans/Notes Payable/ Direct Placements					
Developer Advances - Capital	\$ -	\$ 13,075,961	\$ 12,315,000	\$ 760,961	\$ -
Accrued interest on Developer Advances - Capital	-	1,163,425	-	1,163,425	-
Developer Advances - Operations	75,000	-	2,948	72,052	-
Accrued interest on Developer Advances - Operations	-	12,446	12,052	394	-
Total	<u>\$ 75,000</u>	<u>\$ 14,251,832</u>	<u>\$ 12,330,000</u>	<u>\$ 1,996,832</u>	<u>\$ -</u>

Developer Advances

The District has entered into Funding and Reimbursement Agreements with Eagle Development Company (Developer) as follows:

Funding and Reimbursement Agreement for Operations and Maintenance Costs

On December 13, 2016, the District entered into a Funding and Reimbursement Agreement for Operations and Maintenance (O&M Agreement) with the Developer. The O&M Agreement is subject to renewal on an annual basis as deemed appropriate by the Developer. Such advances include an interest rate of 2.00% plus the current Federal Reserve Board Prime rate and are to be reimbursed by the District with the proceeds of any future bond issues or any other available revenues by the District. Any reimbursement is subject to annual appropriation by the District and is contingent upon the District's ability to generate sufficient revenues, after payment of annual operating expenditures and debt service requirements. This O&M Agreement matured on December 13, 2017 and was extended through December 31, 2021. As of December 31, 2020, outstanding principal for operations and maintenance advances totaled \$72,052 and accrued interest due totaled \$394.

**THE SANDS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Developer Advances (Continued)

Funding and Reimbursement Agreement for Capital Costs

On December 13, 2016, the District entered into a Funding and Reimbursement Agreement for Capital Costs (Capital Agreement) with the Developer. The Capital Agreement is subject to renewal on an annual basis as deemed appropriate by the Developer. Such advances include an interest rate of 2.00% plus the current Federal Reserve Board Prime rate and are to be reimbursed by the District with the proceeds of any future bond issues or any other available revenues by the District. Any reimbursement is subject to annual appropriation by the District and is contingent upon the District's ability to generate sufficient revenues, after payment of annual operating expenditures and debt service requirements. This Capital Agreement matured on December 31, 2017 and was extended through December 31, 2021. As of December 31, 2020, outstanding principal for Capital advances totaled \$760,961 and accrued interest due totaled \$1,163,425.

Authorized Debt

On November 8, 2016, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$399,561,442 at an interest rate not to exceed 12% per annum. At December 31, 2020, the District has authorized but unissued indebtedness in the following amounts allocated for the following purposes:

	Authorized November 8, 2016 Election	Authorization Used	Authorized But Unissued
Street Improvements	\$ 28,540,103	\$ -	\$ 28,540,103
Traffic and Safety Protection	28,540,103	-	28,540,103
Water	28,540,103	-	28,540,103
Sanitation/Storm Sewer	28,540,103	-	28,540,103
Parks and Recreation	28,540,103	-	28,540,103
Public Transportation	28,540,103	-	28,540,103
Mosquito Control	28,540,103	-	28,540,103
Fire Protection	28,540,103	-	28,540,103
Television Relay and Translation	28,540,103	-	28,540,103
Security	28,540,103	-	28,540,103
Operations and Maintenance Debt	28,540,103	-	28,540,103
Refunding	57,080,206	-	57,080,206
Reimbursement Agreements	28,540,103	-	28,540,103
Total	<u>\$ 399,561,442</u>	<u>\$ -</u>	<u>\$ 399,561,442</u>

As set forth in the District's 2016 Service Plan, the County has limited the amount of debt to be issued by the District to a total of \$28,540,103 without future approval by the County. The District may levy up to 50.000 mills – residential, and 35 mills – commercial for debt service and up to 10.000 mills for general operations and administrative expenses due to the ongoing operations and maintenance to be undertaken by the District.

**THE SANDS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 6 FACILITIES FEES

The District adopted a resolution imposing facilities fees on the property within the District in the amount of \$1,500 for lots. Facilities fees are due at the earlier occurrence of the issuance of a building permit or the sale or transfer of ownership of a platted lot to a third-party. During the year ended December 31, 2020, the District received \$414,000 as facilities fees.

NOTE 7 NET POSITION

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

The restricted component of net position consists of assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had restricted net position as of December 31, 2020, as follows:

	Governmental Activities
Restricted Net Position:	
Emergency Reserves	\$ 3,000
Capital Projects	224,203
Total Restricted Net Position	\$ 227,203

The unrestricted component of net positions is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

NOTE 8 RELATED PARTIES

The members of the Board of Directors of the District are employees, owners of, or otherwise associated with, Eagle Development Company, the Landhuis Company, Saint Aubyn Homes, LLC, and Affirmed Financial Services, LLC, holders of the District's outstanding bonds, and may have conflicts of interest in dealing with the District. See Note 5 concerning advances made by the Developer. Any potential conflicts have been filed in accordance with Colorado Law.

NOTE 9 AGREEMENTS

Master Intergovernmental Agreement

On December 13, 2016, the District entered into a Master Intergovernmental Agreement (IGA) with The Sands Metropolitan District Nos. 2-4. The IGA provides that the District will serve as the service district and will be responsible for managing the construction and operation of the facilities and improvements for the Districts. The Sands Metropolitan District Nos. 2-4 will serve as the financing districts and are responsible for providing the funding and tax base needed to support the capital improvements.

THE SANDS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 10 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). The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials liability, boiler and machinery, and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for property liability. 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 11 TAX, SPENDING, AND DEBT LIMITATIONS

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

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

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

On November 8, 2016, a majority of the District's electors authorized the District to collect and spend, or retain in a reserve all currently levied taxes and fees of the District without regard to any limitations under TABOR.

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

SUPPLEMENTARY INFORMATION

**THE SANDS METROPOLITAN DISTRICT NO. 1
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2020**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ 3,917	\$ 3,917	\$ 3,917	\$ -
Specific Ownership Taxes	431	426	426	-
Facilities Fees	-	414,000	414,000	-
Intergovernmental Revenues	12,000,000	12,315,000	12,315,000	-
Total Revenues	12,004,348	12,733,343	12,733,343	-
EXPENDITURES				
Current:				
County Treasurer's Fees	59	59	59	-
Contingency	-	4,476	-	4,476
Capital Projects:				
Capital Outlay	12,000,000	13,020,784	13,020,784	-
Organizational Costs	-	55,177	55,177	-
Intergovernmental Expense	-	189,504	189,504	-
Total Expenditures	12,000,059	13,270,000	13,265,524	4,476
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES				
	4,289	(536,657)	(532,181)	4,476
OTHER FINANCING SOURCES (USES)				
Developer Advance	-	13,075,961	13,075,961	-
Repay Developer Advance	-	(12,315,000)	(12,315,000)	-
Transfer to Other fund	(75,005)	(75,000)	(75,000)	-
Total Other Financing Sources (Uses)	(75,005)	685,961	685,961	-
NET CHANGE IN FUND BALANCE				
	(70,716)	149,304	153,780	4,476
Fund Balance - Beginning of Year	70,716	70,423	70,423	-
FUND BALANCE - END OF YEAR				
	\$ -	\$ 219,727	\$ 224,203	\$ 4,476

OTHER INFORMATION

THE SANDS METROPOLITAN DISTRICT NO. 1
SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED
DECEMBER 31, 2020

Year Ended <u>December 31,</u>	Prior Year Assessed Valuation for Current Year Tax Levy	Mills Levied	Total Property Taxes		Percent Collected to Levied
			Levied	Collected	
2019	\$ 219,880	0.000	\$ -	\$ -	N/A
2020	97,920	50.000	4,896	4,896	100.00%
Estimated for the Year Ending <u>December 31,</u>					
2021	\$ 97,480	50.000	\$ 4,874		

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