

**SWEETGRASS METROPOLITAN DISTRICT NO. 2**  
**Weld County, Colorado**

**FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**

**YEAR ENDED DECEMBER 31, 2023**

**SWEETGRASS METROPOLITAN DISTRICT NO. 2  
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Board of Directors  
Sweetgrass Metropolitan District No. 2  
Weld County, Colorado

Independent Auditor's Report

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Sweetgrass Metropolitan District No. 2 (the "District"), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Sweetgrass Metropolitan District No. 2 as of December 31, 2023, 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 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 (GAAP), and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our 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 the District's internal control. Accordingly, no such opinion is expressed.

Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

## Other Matters

### Required Supplemental Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States 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.

### Other Information and Annual Continuing Disclosure Information

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

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



Wipfli LLP  
Denver, Colorado

January 14, 2025

## **BASIC FINANCIAL STATEMENTS**

**SWEETGRASS METROPOLITAN DISTRICT NO. 2**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2023**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and Investments	\$ 303,048
Cash and Investments - Restricted	309,271
Receivable from County Treasurer	2,060
Prepaid Insurance	250
Prepaid Bond Insurance	215,667
Due from Other Districts	8,566
Due from City of Dacono	15
Property Tax Receivable	853,563
Total Assets	<u>1,692,440</u>
<b>LIABILITIES</b>	
Accounts Payable	6,596
Accrued Bond Interest	28,483
Noncurrent Liabilities:	
Due Within One Year	145,000
Due in More Than One Year	<u>10,456,299</u>
Total Liabilities	<u>10,636,378</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Property Tax Revenue	<u>853,563</u>
Total Deferred Inflows of Resources	<u>853,563</u>
<b>NET POSITION</b>	
Restricted for:	
Emergency Reserve	21,900
Debt Service	260,801
Unrestricted	<u>(10,080,202)</u>
Total Net Position	<u><u>\$ (9,797,501)</u></u>

See accompanying Notes to Financial Statements.

**SWEETGRASS METROPOLITAN DISTRICT NO. 2**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2023**

	Charges for Services	Program Revenues Operating Grants and Contributions	Capital Grants and Contributions	Net Revenues (Expenses) and Changes in Net Position
<b>FUNCTIONS/PROGRAMS</b>				
Primary Government:				
Governmental Activities:				
General Government	\$ 45,494	\$ -	\$ -	\$ (45,494)
Interest on Long-Term Debt and Related Costs	551,090	-	-	(551,090)
	\$ 596,584	\$ -	\$ -	(596,584)
Total Governmental Activities				
<b>GENERAL REVENUES</b>				
Property Taxes				671,207
TIF Revenue				4
Specific Ownership Taxes				28,738
Interest Income				26,752
Total General Revenues and Transfers				726,701
<b>CHANGES IN NET POSITION</b>				130,117
Net Position - Beginning of Year				(9,927,618)
<b>NET POSITION - END OF YEAR</b>				\$ (9,797,501)

See accompanying Notes to Basic Financial Statements.

**SWEETGRASS METROPOLITAN DISTRICT NO. 2  
BALANCE SHEET –  
GOVERNMENTAL FUND  
DECEMBER 31, 2023**

	<u>General Fund and Total Governmental Fund</u>
<b>ASSETS</b>	
Cash and Investments	\$ 303,048
Cash and Investments - Restricted	309,271
Receivable from County Treasurer	2,060
Due from Other Districts	8,566
Due from City of Dacono	15
Prepaid Insurance	250
Property Tax Receivable	<u>853,563</u>
Total Assets	<u><u>\$ 1,476,773</u></u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	
<b>LIABILITIES</b>	
Accounts Payable	\$ 6,596
Total Liabilities	<u>6,596</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred Property Tax	<u>853,563</u>
Total Deferred Inflows of Resources	<u>853,563</u>
<b>FUND BALANCES</b>	
Nonspendable:	
Prepaid Expense	250
Restricted for:	
Emergency Reserves	21,900
Debt Service	289,284
Unassigned	<u>305,180</u>
Total Fund Balances	<u>616,614</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u><u>\$ 1,476,773</u></u>
Amounts reported for governmental activities in the statement of net position are different because:	
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	
Accrued Interest	(79,661)
Bonds Payable - 2022A	(7,810,000)
Bonds Payable - 2022B	(1,175,000)
Developer Advance Payable	(1,359,492)
Accrued Developer Advance Interest - Capital	(167,757)
Bond Insurance Cost	215,667
Bond Premium - 2022A	<u>(37,872)</u>
Net Position of Governmental Activities	<u><u>\$ (9,797,501)</u></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, 2023**

	<u>General Fund and Total Governmental Fund</u>
<b>REVENUES</b>	
Property Taxes	\$ 671,207
Specific Ownership Taxes	28,738
Interest Income	26,752
TIF Revenue	4
Total Revenues	<u>726,701</u>
<b>EXPENDITURES</b>	
Current:	
Accounting	11,273
Auditing	10,920
Banking Fees	832
County Treasurer's Fee	10,069
Dues And Membership	647
Insurance	2,050
Legal	1,076
Debt Service:	
Bond Interest Series 2022A	347,800
Bond Interest Series 2022B	88,125
Bond Principal Series 2022A	120,000
Paying Agent Fees	9,000
Total Expenditures	<u>601,792</u>
<b>NET CHANGE IN FUND BALANCE</b>	124,909
Fund Balance - Beginning of Year	<u>491,705</u>
<b>FUND BALANCE - END OF YEAR</b>	<u><u>\$ 616,614</u></u>

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, 2023**

Net Change in Fund Balances - Total Governmental Funds	\$	124,909
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Amounts reported for governmental activities in the statement of activities are different because:

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

Bond Principal		120,000
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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 Payable - Change in Liability		(3,188)
Accrued Interest Payable Developer Advance - Change in Liability		(105,485)
Amortization of Bond Insurance		(8,627)
Amortization of Bond Premium		2,508
		2,508

Changes in Net Position of Governmental Activities	\$	130,117
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*See accompanying Notes to Basic Financial Statements.*

**SWEETGRASS METROPOLITAN DISTRICT NO. 2  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2023**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Property Taxes	\$ 675,766	\$ 671,207	\$ (4,559)
Specific Ownership Taxes	33,788	28,738	(5,050)
Interest Income	-	26,752	26,752
TIF Revenue	4	4	-
Total Revenues	<u>709,558</u>	<u>726,701</u>	<u>17,143</u>
<b>EXPENDITURES</b>			
Accounting	20,000	11,273	8,727
Auditing	14,000	10,920	3,080
Banking Fees	-	832	(832)
County Treasurer's Fee	10,136	10,069	67
Dues And Membership	-	647	(647)
Insurance	2,500	2,050	450
Legal	-	1,076	(1,076)
Miscellaneous	5,000	-	5,000
Paying Agent Fees	7,000	9,000	(2,000)
Bond Interest Series 2022A	347,800	347,800	-
Bond Interest Series 2022B	181,617	88,125	93,492
Bond Principal Series 2022A	120,000	120,000	-
Total Expenditures	<u>708,053</u>	<u>601,792</u>	<u>106,261</u>
<b>NET CHANGE IN FUND BALANCE</b>	1,505	124,909	123,404
Fund Balance - Beginning of Year	<u>856,601</u>	<u>491,705</u>	<u>(364,896)</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 858,106</u>	<u>\$ 616,614</u>	<u>\$ (241,492)</u>

See accompanying Notes to Basic Financial Statements.

**SWEETGRASS METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**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 2021 Amended and Restated Service Plan authorizes the District, District No. 1, and District No. 3 to own, operate and maintain park and recreation improvements and methane/natural gas monitoring systems and the Districts have the power to provide ongoing covenant enforcement and design review services."

District No. 1 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 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 authorizes the District with a new money principal debt limit of \$11,500,000, provided that such limitation shall not be applicable to refunding debt issued to refund outstanding debt."

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, 2023**

**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, 2023**

**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.

**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.

**SWEETGRASS METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Equity (Continued)**

**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.

*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, 2023, are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and Investments	\$ 303,048
Cash and Investments - Restricted	309,271
Total Cash and Investments	\$ 612,319

**SWEETGRASS METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 3 CASH AND INVESTMENTS (CONTINUED)**

Cash and investments as of December 31, 2023, consist of the following:

Deposits with Financial Institutions	\$ 248,320
Investments	<u>363,999</u>
Total Cash and Investments	<u><u>\$ 612,319</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, 2023, the District's cash deposits had a bank balance and carrying balance of \$248,320.

**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 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.

**SWEETGRASS METROPOLITAN DISTRICT NO. 2  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**NOTE 3 CASH AND INVESTMENTS (CONTINUED)**

**Investments (Continued)**

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
- . Certain certificates of participation
- . Certain securities lending agreements
- . 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

As of December 31, 2023, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted-Average Under 60 Days	\$ 363,999
		<u>\$ 363,999</u>

**CSAFE**

The District invested in the Colorado Surplus Asset Fund Trust (CSAFE) (the Trust), which is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust currently offers two portfolios – CSAFE CASH FUND and CSAFE CORE.

CSAFE CASH FUND operations similar to a money market fund, with each share valued at \$1.00. CSAFE may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain money market funds and highest rated commercial paper, any security allowed under Section 24-75-601.1, C.R.S.

CSAFE CORE, a variable Net Asset Value (NAV) Local Government Investment Pool, offers weekly liquidity and is managed to approximate a \$2.00 transactional share price. CSAFE CORE may invest in securities authorized by Section 24-75-601.1, C.R.S., including U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies, and highest rated commercial paper.

**SWEETGRASS METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 3 CASH AND INVESTMENTS (CONTINUED)**

**CSAFE (Continued)**

A designated custodial bank serves as custodian for CSAFE's portfolio pursuant to a custodian agreement. The custodian acts as safekeeping agent for CSAFE's investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by CSAFE. CSAFE CASH FUND is rated AAmmf and CSAFE CORE is rated AAAf/S1 by Fitch Ratings. CSAFE records its investments at amortized cost and the District records its investments in CSAFE using the amortized cost method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

**NOTE 4 LONG-TERM OBLIGATIONS**

An analysis of the changes in capital assets for the year ended December 31, 2023 follows:

	Balance at December 31, 2022	Additions	Reductions	Balance at December 31, 2023	Due Within One Year
Bonds Payable:					
General Obligation Limited Tax Refunding Bonds Series 2022A	\$ 7,930,000	\$ -	\$ 120,000	\$ 7,810,000	\$ 145,000
Subordinate General Obligation Limited Tax Refunding Bonds Series 2022B	1,175,000	-	-	1,175,000	-
Accrued Interest Series 2022B	47,490	91,813	88,125	51,178	-
Subtotal Bonds Payable	<u>9,152,490</u>	<u>91,813</u>	<u>208,125</u>	<u>9,036,178</u>	<u>145,000</u>
Other Debts:					
Developer Advance - Capital	1,359,492	-	-	1,359,492	-
Accrued Interest on: Developer Advance - Capital	62,272	105,485	-	167,757	-
Subtotal Other Debts	<u>1,421,764</u>	<u>105,485</u>	<u>-</u>	<u>1,527,249</u>	<u>-</u>
Bond Premium/Discount:					
Bond Premium	40,380	-	2,508	37,872	-
Subtotal Bond Premium / Discount	<u>40,380</u>	<u>-</u>	<u>2,508</u>	<u>37,872</u>	<u>-</u>
 Total Long-Term Obligations	 <u>\$ 10,614,634</u>	 <u>\$ 197,298</u>	 <u>\$ 210,633</u>	 <u>\$ 10,601,299</u>	 <u>\$ 145,000</u>

**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 (Series 2022A) 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 Series 2022A and Series 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.

**SWEETGRASS METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)**

**Series 2022A and 2022B Senior and Subordinate General Obligation Limited Tax Refunding Bonds (Continued)**

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. Such maximum mill levies are subject to adjustment for changes occurring in the method of calculating assessed valuation after January 1, 2021. 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.

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 \$88,125 in interest expense for the year ended December 31, 2023 for these Bonds.

**SWEETGRASS METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)**

**Series 2022A and 2022B Senior and Subordinate General Obligation Limited Tax Refunding Bonds (Continued)**

The Series 2022A and 2022B Bonds do not have any unused lines of credit. No assets have been pledged as collateral on the Bonds. Events of default occur if the District fails to impose the Required Mill Levy or to apply the Pledged Revenue as required by the Indenture and does not comply with other customary terms and conditions consistent with normal municipal financial as described in the Indenture.

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>
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	170,000	312,300	482,300
2029-2033	1,040,000	1,422,000	2,462,000
2034-2038	1,480,000	1,120,750	2,600,750
2039-2043	1,970,000	757,000	2,727,000
2044-2048	2,560,000	317,400	2,877,400
Total	<u>\$ 7,810,000</u>	<u>\$ 5,252,650</u>	<u>\$ 13,062,650</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.

**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, 2023, 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.

**Funding and Reimbursement Agreement**

The District and Dacono Properties (the Developer) entered into a Funding and Reimbursement Agreement (FRA) dated June 14, 2022. Pursuant to the FRA, the Developer agreed to advance funds to the District for capital costs incurred in furtherance of the District's permitted purpose for the fiscal year of 2022. The District has agreed to reimburse the Developer for funds advanced under the FRA, together with interest thereon at the rate of 8% per annum. The term of the FRA shall expire on December 31, 2048. Any amounts remaining due under this agreement as of December 31, 2049, including interest, will be forgiven in its entirety. As of December 31, 2023, the outstanding balance of the advances is \$1,359,492, with total interest expense of \$167,757.

**SWEETGRASS METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 5 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 restricted net position as of December 31, 2023 as follows:

	Governmental Activities
Restricted Net Position:	
Emergencies	\$ 21,900
Debt Service Reserve	260,801
Total Restricted Net Position	\$ 282,701

The District had a deficit in unrestricted net position.

The deficit was a result of the District being responsible for the repayment of bonds issued for public improvements which were conveyed to other governmental entities and which costs were removed from the District’s financial records.

**NOTE 6 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. At the October 26, 2023 meeting, the District appointed two residents to fill the vacancies on the board. During 2023, the three employees associated with the Developers also served on the District No. 1, and No. 3 Board of Directors.

**SWEETGRASS METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 7 AGREEMENTS**

**District Facilities Construction and Service Agreement**

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 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.

**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). 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 fiscal 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.

**SWEETGRASS METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**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.

**OTHER INFORMATION**

**SWEETGRASS METROPOLITAN DISTRICT NO. 2**  
**SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED**  
**DECEMBER 31, 2023**

Year Ended December 31,	Assessed Valuation	Percent Change	Total Mills Levied			Total Property Taxes		Percent Collected to Levied
			General Operations	Debt Service	Total	Levied	Collected	
2018/2019	\$ 9,441,350	0.0%	15.275	40.000	55.275	\$ 521,871	\$ 521,872	100.00 %
2019/2020	10,636,707	12.7%	11.133	44.530	55.663	592,073	592,075	100.00 %
2020/2021	11,288,424	6.1%	11.133	44.530	55.663	628,348	627,938	99.93 %
2021/2022	11,727,171	3.9%	11.133	44.530	55.663	652,773	653,042	100.04 %
2022/2023	12,249,896	4.5%	3.944	51.221	55.165	675,766	671,207	99.33 %
Estimated for Year Ending December 31, 2024	\$ 13,120,030	7.1%	4.554	60.504	65.058	\$ 853,563		

Note:  
Property taxes collected in any one year include collection of delinquent property taxes levied in prior years.

Source: Weld County Assessor and Treasurer.

**SWEETGRASS METROPOLITAN DISTRICT NO. 2  
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY  
DECEMBER 31, 2023**

<u>Bonds/Loans and Interest Maturing in the Year Ending December 31,</u>	\$8,150,000 General Obligation Limited Tax Refunding Bonds Series 2022A, Dated June 16, 2022 Interest Rate Fixed 4-5% Interest Payable June 1 and December 1 Principal Payable December 1		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	170,000	312,300	482,300
2029	180,000	303,800	483,800
2030	195,000	294,800	489,800
2031	205,000	285,050	490,050
2032	225,000	274,800	499,800
2033	235,000	263,550	498,550
2034	260,000	251,800	511,800
2035	275,000	238,800	513,800
2036	295,000	225,050	520,050
2037	310,000	210,300	520,300
2038	340,000	194,800	534,800
2039	350,000	181,200	531,200
2040	375,000	167,200	542,200
2041	390,000	152,200	542,200
2042	420,000	136,600	556,600
2043	435,000	119,800	554,800
2044	465,000	102,400	567,400
2045	480,000	83,800	563,800
2046	515,000	64,600	579,600
2047	535,000	44,000	579,000
2048	565,000	22,600	587,600
Total	<u>\$ 7,810,000</u>	<u>\$ 5,252,650</u>	<u>\$ 13,062,650</u>

**ANNUAL CONTINUING DISCLOSURE INFORMATION**

**SWEETGRASS METROPOLITAN DISTRICT NO. 2  
HISTORY OF ASSESSED VALUATION & STATUTORY "ACTUAL" VALUE OF TAXABLE  
PROPERTY IN THE DISTRICT  
DECEMBER 31, 2023  
(UNAUDITED)**

Levy Year	Collection Year	Assessed Valuation	Percent Change	Statutory "Actual" Value	Percent Change
2018	2019	\$ 9,441,360	0.0%	\$ 124,547,932	0.0%
2019	2020	10,636,740	12.7%	142,230,401	14.2%
2020	2021	11,288,490	6.1%	149,527,985	5.1%
2021	2022	11,727,250	3.9%	154,776,955	3.5%
2022	2023	12,249,970	4.5%	157,892,365	2.0%
2023	2024	13,120,030	7.1%	189,131,767	19.8%

**SWEETGRASS METROPOLITAN DISTRICT NO. 2  
 ASSESSED VALUATION & STATUTORY "ACTUAL" VALUE OF CLASSES OF  
 PROPERTY IN THE DISTRICT  
 DECEMBER 31, 2023  
 (UNAUDITED)**

Property Class	Assessment Rate	2023		2023	
		Assessed Valuation		Statutory "Actual" Value	
Residential	6.70%	\$ 12,530,380	95.51%	\$ 187,020,037	98.88%
Vacant Land	27.90%	150,670	1.15	540,034	0.29
Agricultural	24.40%	30	0.00	131	0.00
Commercial	27.90%	670	0.01	2,416	0.00
Oil & Gas	87.50%	215,800	1.64	771,735	0.41
State Assessed	27.90%	222,480	1.70	797,414	0.42
Totals		<u>\$ 13,120,030</u>	<u>100%</u>	<u>\$ 189,131,767</u>	<u>100%</u>