

**SAGEBRUSH FARM METROPOLITAN DISTRICT NO. 1  
Adams County, Colorado**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED DECEMBER 31, 2023**

**SAGEBRUSH FARM METROPOLITAN DISTRICT NO. 1  
TABLE OF CONTENTS  
YEAR ENDED DECEMBER 31, 2023**

<b>INDEPENDENT AUDITOR’S REPORT</b>	<b>1</b>
<b>BASIC FINANCIAL STATEMENTS</b>	
<b>GOVERNMENT-WIDE FINANCIAL STATEMENTS</b>	
<b>STATEMENT OF NET POSITION</b>	<b>1</b>
<b>STATEMENT OF ACTIVITIES</b>	<b>2</b>
<b>FUND FINANCIAL STATEMENTS</b>	
<b>BALANCE SHEET – GOVERNMENTAL FUNDS</b>	<b>3</b>
<b>STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN         FUND BALANCES – GOVERNMENTAL FUNDS</b>	<b>4</b>
<b>RECONCILIATION OF THE STATEMENT OF REVENUES,         EXPENDITURES, AND CHANGES IN FUND BALANCES OF THE         GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES</b>	<b>5</b>
<b>GENERAL FUND – STATEMENT OF REVENUES, EXPENDITURES, AND         CHANGES IN FUND BALANCE – BUDGET AND ACTUAL</b>	<b>6</b>
<b>NOTES TO BASIC FINANCIAL STATEMENTS</b>	<b>7</b>
<b>SUPPLEMENTARY INFORMATION</b>	
<b>DEBT SERVICE FUND – SCHEDULE OF REVENUES, EXPENDITURES,     AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL</b>	<b>24</b>
<b>CAPITAL PROJECTS FUND – SCHEDULE OF REVENUES,     EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND     ACTUAL</b>	<b>25</b>
<b>OTHER INFORMATION</b>	
<b>SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY</b>	<b>27</b>
<b>SUMMARY OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY     TAXES COLLECTED</b>	<b>28</b>

**SAGEBRUSH FARM METROPOLITAN DISTRICT NO. 1  
TABLE OF CONTENTS  
YEAR ENDED DECEMBER 31, 2023**

**CONTINUING DISCLOSURE OBLIGATION**

<b>GENERAL FUND BUDGET SUMMARY</b>	<b>30</b>
<b>DEBT SERVICE FUND BUDGET SUMMARY</b>	<b>31</b>
<b>CAPITAL PROJECTS FUND BUDGET SUMMARY</b>	<b>32</b>
<b>ASSESSED AND ACTUAL VALUATION OF CLASSES OF PROPERTY IN THE DISTRICT</b>	<b>33</b>
<b>LARGEST TAXPAYERS WITHIN THE DISTRICT IN 2023</b>	<b>33</b>



**BiggsKofford**

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

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Board of Directors  
**Sagebrush Farm Metropolitan District No. 1**  
Adams County, Colorado

### Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Sagebrush Farm Metropolitan District No. 1 ("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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2023, the respective changes in financial position, and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinions

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

### Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern 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 auditing standards generally accepted in the United States of America will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

## **Other Matters**

### *Required Supplementary Information*

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

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the

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

#### *Other Information*

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

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

*BiggsKofford, P.C.*

Colorado Springs, Colorado  
September 23, 2024

## **BASIC FINANCIAL STATEMENTS**

**SAGEBRUSH FARM METROPOLITAN DISTRICT NO. 1**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2023**

	Governmental Activities
<b>ASSETS</b>	
Cash and Investments	\$ 38,556
Cash and Investments - Restricted	29,684,476
Accounts Receivable	21,804
Prepaid Insurance	4,612
Receivable from County Treasurer	3
Property Tax Receivable	543
Capital Assets:	
Capital Assets Not Being Depreciated	9,906,351
Total Assets	39,656,345
<b>LIABILITIES</b>	
Accounts Payable	27,905
Accrued Interest	239,259
Noncurrent Liabilities:	
Due in More Than One Year	42,564,599
Total Liabilities	42,831,763
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Property Tax Revenue	543
Total Deferred Inflows of Resources	543
<b>NET POSITION</b>	
Restricted for:	
Emergency Reserve	200
Debt Service	306,399
Unrestricted	(3,482,560)
Total Net Position	\$ (3,175,961)

See accompanying Notes to Basic Financial Statements.

**SAGEBRUSH FARM METROPOLITAN DISTRICT NO. 1  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2023**

	Expenses	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	\$ 128,766	\$ -	\$ -	\$ -	\$ (128,766)
Interest on Long-Term Debt and Related Costs	2,948,415	-	-	-	(2,948,415)
Total Governmental Activities	\$ 3,077,181	\$ -	\$ -	\$ -	(3,077,181)
<b>GENERAL REVENUES</b>					
Property Taxes					1,646,144
Interest Income					21,804
Other Revenue					1,667,951
Total General Revenues and Transfers					(1,409,230)
<b>CHANGES IN NET POSITION</b>					
Net Position - Beginning of Year					(1,766,731)
<b>NET POSITION - END OF YEAR</b>					\$ (3,175,961)

See accompanying Notes to Basic Financial Statements.

**SAGEBRUSH FARM METROPOLITAN DISTRICT NO. 1  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2023**

<b>ASSETS</b>	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Cash and Investments	\$ 22,763	\$ -	\$ 15,793	\$ 38,556
Cash and Investments - Restricted	200	9,852,918	19,831,358	29,684,476
Receivable from County Treasurer	1	2	-	3
Accounts Receivable	6,636	-	15,168	21,804
Prepaid Insurance	4,612	-	-	4,612
Property Tax Receivable	122	421	-	543
<b>Total Assets</b>	<b><u>\$ 34,334</u></b>	<b><u>\$ 9,853,341</u></b>	<b><u>\$ 19,862,319</u></b>	<b><u>\$ 29,749,994</u></b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 10,768	\$ -	\$ 17,137	\$ 27,905
<b>Total Liabilities</b>	<b><u>10,768</u></b>	<b><u>-</u></b>	<b><u>17,137</u></b>	<b><u>27,905</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Property Tax	122	421	-	543
<b>Total Deferred Inflows of Resources</b>	<b><u>122</u></b>	<b><u>421</u></b>	<b><u>-</u></b>	<b><u>543</u></b>
<b>FUND BALANCES</b>				
Nonspendable:				
Prepaid Expense	4,612	-	-	4,612
Restricted for:				
Emergency Reserves	200	-	-	200
Debt Service	-	9,852,920	-	9,852,920
Capital Projects	-	-	19,845,182	19,845,182
Unassigned	18,632	-	-	18,632
<b>Total Fund Balances</b>	<b><u>23,444</u></b>	<b><u>9,852,920</u></b>	<b><u>19,845,182</u></b>	<b><u>29,721,546</u></b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b><u>\$ 34,334</u></b>	<b><u>\$ 9,853,341</u></b>	<b><u>\$ 19,862,319</u></b>	

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.

9,906,351

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

(239,259)

Bonds Payable

(43,390,000)

Unamortized Bond Discount

1,039,737

Developer Advance Payable

(214,336)

Net Position of Governmental Activities

**\$ (3,175,961)**

**SAGEBRUSH FARM METROPOLITAN DISTRICT NO. 1**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2023**

	General	Debt Service	Capital Projects	Total Governmental Funds
<b>REVENUES</b>				
Property Taxes	\$ 1	\$ 2	\$ -	\$ 3
Interest Income	-	503,795	1,142,349	1,646,144
Other Revenue	6,636	-	15,168	21,804
Total Revenues	<u>6,637</u>	<u>503,797</u>	<u>1,157,517</u>	<u>1,667,951</u>
<b>EXPENDITURES</b>				
Current:				
Accounting	46,867	-	9,542	56,409
Auditing	5,150	-	-	5,150
Dues and Membership	654	-	-	654
Election	3,573	-	-	3,573
Engineering	-	-	48,402	48,402
Insurance	4,731	-	-	4,731
Legal	48,855	-	6,928	55,783
Website	2,466	-	-	2,466
Debt Service:				
Bond Interest	-	2,871,113	-	2,871,113
Capital Projects:				
Capital Outlay	-	-	9,704,393	9,704,393
Total Expenditures	<u>112,296</u>	<u>2,871,113</u>	<u>9,769,265</u>	<u>12,752,674</u>
<b>EXCESS OF REVENUES UNDER EXPENDITURES</b>	(105,659)	(2,367,316)	(8,611,748)	(11,084,723)
<b>OTHER FINANCING SOURCES (USES)</b>				
Developer Advance	204,659	-	9,699,393	9,904,052
Repay Developer Advance	-	-	(9,699,393)	(9,699,393)
Developer Advance - Interest Expense	-	-	(19,920)	(19,920)
Total Other Financing Sources (Uses)	<u>204,659</u>	<u>-</u>	<u>(19,920)</u>	<u>184,739</u>
<b>NET CHANGE IN FUND BALANCES</b>	99,000	(2,367,316)	(8,631,668)	(10,899,984)
Fund Balances - Beginning of Year	<u>(75,556)</u>	<u>12,220,236</u>	<u>28,476,850</u>	<u>40,621,530</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 23,444</u>	<u>\$ 9,852,920</u>	<u>\$ 19,845,182</u>	<u>\$ 29,721,546</u>

See accompanying Notes to Basic Financial Statements.

**SAGEBRUSH FARM METROPOLITAN DISTRICT NO. 1  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2023**

Net Change in Fund Balances - Total Governmental Funds (10,899,984)

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

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

Capital Outlay 9,752,795

Other long-term assets are not available to pay for current period expenditures and, therefore, are not reported in the funds.

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.

Developer Advance (9,904,052)  
Repay Developer Advance 9,699,393

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the fund financial statements.

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 Developer Advance - Change in Liability (9,677)  
Amortization of Bond Discount (47,705)

Changes in Net Position of Governmental Activities (1,409,230)

**SAGEBRUSH FARM METROPOLITAN DISTRICT NO. 1  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2023**

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property Taxes	\$ 1	\$ 1	\$ 1	\$ -
Other Revenue	-	-	6,636	6,636
Total Revenues	<u>1</u>	<u>1</u>	<u>6,637</u>	<u>6,636</u>
<b>EXPENDITURES</b>				
Accounting	40,000	56,000	46,867	9,133
Auditing	6,000	5,150	5,150	-
Contingency	12,500	11,392	-	11,392
Dues and Membership	1,000	654	654	-
Election	5,000	3,573	3,573	-
Insurance	5,500	4,731	4,731	-
Legal	40,000	63,500	48,855	14,645
Miscellaneous	10,000	-	-	-
Website	-	3,000	2,466	534
Total Expenditures	<u>120,000</u>	<u>148,000</u>	<u>112,296</u>	<u>35,704</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(119,999)	(147,999)	(105,659)	42,340
<b>OTHER FINANCING SOURCES (USES)</b>				
Developer Advance	120,000	223,555	204,659	(18,896)
Total Other Financing Sources (Uses)	<u>120,000</u>	<u>223,555</u>	<u>204,659</u>	<u>(18,896)</u>
<b>NET CHANGE IN FUND BALANCE</b>	1	75,556	99,000	23,444
Fund Balance - Beginning of Year	-	(75,556)	(75,556)	-
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 23,444</u>	<u>\$ 23,444</u>

See accompanying Notes to Basic Financial Statements.

**SAGEBRUSH FARM METROPOLITAN DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 1 DEFINITION OF REPORTING ENTITY**

Sagebrush Farm Metropolitan District No. 1 (the District) is a quasi-municipal corporation located in the City of Aurora, County of Adams, Colorado, and is governed pursuant to the provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District was organized by order and decree of the District Court on June 30, 2005, and was established to provide financing for the planning, design, acquisition, construction, installation, relocation, and redevelopment of the streets, safety protection, water and sanitation, parks and recreation improvements, and operation and maintenance of the District.

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

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

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

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Government-Wide and Fund Financial Statements**

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

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.

**SAGEBRUSH FARM METROPOLITAN DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**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 and intergovernmental revenues. All other revenue items are considered to be measurable and available only when cash is received by the District. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is due.

The District reports the following major governmental funds:

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

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

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

**SAGEBRUSH FARM METROPOLITAN DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**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 of 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, 2023.

**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.

**Capital Assets**

Capital assets, which include property and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported 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.

Capital assets which are anticipated to be conveyed to other governmental entities, as well as capital assets being constructed which the District may operate and maintain, are recorded as construction in progress/not yet conveyed.

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 that will be dedicated to other governmental entities are not depreciated. Improvements to be owned by the District are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

**SAGEBRUSH FARM METROPOLITAN DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

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

**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 inflow 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.

**Amortization – Original Issue Discount/Premium**

In the government-wide financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method.

**Deferred Inflow of Resources**

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has only one item that qualifies for reporting in this category. Accordingly, the item, *deferred property tax revenue*, is deferred and recognized as an inflow of resources in the period that the amounts become available.

**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.

**SAGEBRUSH FARM METROPOLITAN DISTRICT NO. 1**  
**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 balances 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	\$ 38,556
Cash and Investments - Restricted	29,684,476
Total Cash and Investments	<u>\$ 29,723,032</u>

**SAGEBRUSH FARM METROPOLITAN DISTRICT NO. 1**  
**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	\$ 38,755
Investments	<u>29,684,277</u>
Total Cash and Investments	<u><u>\$ 29,723,032</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 and carrying balance of \$38,755.

**Investments**

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

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

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

**SAGEBRUSH FARM METROPOLITAN DISTRICT NO. 1  
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 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, 2023, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Morgan Stanley Institutional Liquidity Funds (MSILF Govt #8352)	Weighted-Average Under 60 Days	\$ 29,684,277
Total		<u>\$ 29,684,277</u>

**Government Portfolio**

The debt service money that is included in the trust accounts at United Missouri Bank is invested in the Morgan Stanley Institutional Liquidity Fund. This portfolio is a money market mutual fund which invests in U.S. Treasury obligations, which are fully guaranteed as to principal and interest by the United States, with maturities of 60 days or less and repurchase agreements collateralized by U.S. Treasury obligations. The Morgan Stanley Institutional Liquidity Fund is rated AAAM by Standard & Poor's.

**SAGEBRUSH FARM METROPOLITAN DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 4 CAPITAL ASSETS**

The following is an analysis of the changes in the District's capital assets for the year ended December 31, 2023:

	Balance at December 31, 2022	Increases	Decreases	Balance at December 31, 2023
<b>Governmental Activities:</b>				
Capital Assets, Not Being Depreciated:				
Construction in Progress	\$ 153,556	\$ 9,752,795	\$ -	\$ 9,906,351
Total Capital Assets, Not Being Depreciated	<u>\$ 153,556</u>	<u>\$ 9,752,795</u>	<u>\$ -</u>	<u>\$ 9,906,351</u>

It is the policy of Adams County (the County) and the City of Aurora (the City) to accept the maintenance responsibility for improvements only after a probationary period following the completion of construction. Upon final acceptance of the streets by the County or the City, the District will remove the costs of construction from its capital assets. The District will maintain the ownership and maintenance of the District-owned improvements once those projects are completed.

**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, 2023:

	Balance at December 31, 2022	Additions	Reductions	Balance at December 31, 2023	Due Within One Year
<b>Bonds Payable:</b>					
General Obligation Bonds					
Series 2022A	\$ 43,390,000	\$ -	\$ -	\$ 43,390,000	\$ -
Subtotal Bonds Payable	43,390,000	-	-	43,390,000	-
<b>Other Debts:</b>					
Developer Advance - Operating	-	204,659	-	204,659	-
Developer Advance - Capital	-	9,699,393	9,699,393	-	-
Accrued Interest on:					
Developer Advance - Operating	-	9,677	-	9,677	-
Developer Advance - Capital	-	19,920	19,920	-	-
Subtotal Other Debts	-	9,933,649	9,719,313	214,336	-
<b>Bond Premium/Discount:</b>					
Bond Discount - Series 2020A	(1,087,442)	-	47,705	(1,039,737)	-
Subtotal Bond Premium / Discount	<u>(1,087,442)</u>	<u>-</u>	<u>47,705</u>	<u>(1,039,737)</u>	<u>-</u>
Total Long-Term Obligations	<u>\$ 42,302,558</u>	<u>\$ 9,933,649</u>	<u>\$ 9,767,018</u>	<u>\$ 42,564,599</u>	<u>\$ -</u>

**SAGEBRUSH FARM METROPOLITAN DISTRICT NO. 1  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)**

**General Obligation Limited Tax Bonds, Series 2022A (the Series 2022A Bonds)**

The District issued the Series 2022A Bonds on October 19, 2022, in the amount of \$43,390,000, pursuant to an Indenture of Trust between the District and UMB Bank, N.A. (the Trustee), dated October 19, 2022 (the Indenture).

Proceeds of the Bonds

Proceeds from the sale of the Series 2022A Bonds were used to fund: (a) the costs of certain public improvements to serve the Development, (b) an initial deposit to the Surplus Fund (as defined in the Indenture), (c) capitalized interest, and (d) the costs of issuing the Series 2022A Bonds. The Series 2022A Bonds do not have any unused lines of credit.

The Series 2022A Bonds were issued as two term bonds bearing interest at the rate of 6.375% and 6.75% per annum, respectively, payable to the extent of Pledged Revenue (as defined in the Indenture) on each June 1 and December 1, beginning on December 1, 2022. Annual mandatory sinking fund principal payments are due on each December 1, beginning December 1, 2029. The Series 2022A Bonds mature on December 1, 2052.

To the extent principal of any Series 2022A Bond is not paid when due, principal shall remain outstanding until paid. To the extent interest on any Series 2022A Bond is not paid when due, such interest shall compound on each interest payment date, at the rate then borne by the Series 2022A Bond.

Optional Redemption

The Series 2022A Bonds are subject to redemption prior to maturity, at the option of the District, on December 1, 2029, and on any date thereafter, upon payment of par, accrued interest, and a redemption premium equal to a percentage of the principal amount so redeemed as follows:

<u>Date of Redemption</u>	<u>Redemption Premium</u>
December 1, 2029, through November 30, 2030	3.00%
December 1, 2030, through November 30, 2031	2.00
December 1, 2031, through November 30, 2032	1.00
December 1, 2032, and thereafter	0.00

Pledged Revenue

The Series 2022A Bonds are secured by and payable solely from and to the extent of Series 2022A Pledged Revenue derived by the District from the following sources: the Required Mill Levy (as defined in the Indenture); the portion of the Specific Ownership Tax (as defined in the Indenture) which is collected as a result of imposition of the Required Mill Levy; and any other legally available moneys which the District determines, in its absolute discretion, to transfer to the Trustee for application as Pledged Revenue.

**SAGEBRUSH FARM METROPOLITAN DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)**

**General Obligation Limited Tax Bonds, Series 2022A (the Series 2022A Bonds)**  
**(Continued)**

Required Mill Levy

The Required Mill Levy is an ad valorem mill levy imposed upon all taxable property of the District each year in an amount sufficient to pay the Series 2022A Bonds as they come due, but (i) not in excess of 35 mills (as adjusted for changes in the method of calculating assessed valuation or any constitutionally mandated tax credit, cut, or abatement on or after January 1, 2004), and (ii) for so long as the Surplus Fund is less than the Maximum Surplus Amount (as defined in the Indenture), not less than 35 mills (as adjusted) or such lesser mill levy which will pay the Series 2022A Bonds as they come due and will fund the Surplus Fund up to the Maximum Surplus Amount.

The District certified 38.446 mills for debt service for collection in 2024.

Surplus Fund

The Series 2022A Bonds are also secured by the Surplus Fund which was partially funded in the amount of the initial deposit of \$3,900,000 from proceeds of the Series 2022A Bonds. In addition to the initial deposit to the Surplus Fund, Pledged Revenue that is not needed to pay debt service of the Bonds in any year will be deposited to and held in the Surplus Fund, up to the Maximum Surplus Amount of \$8,678,000. The Surplus Fund is to be maintained for so long as any Series 2022A Bond is outstanding and is pledged to the payment of the Series 2022A Bonds.

Events of Default of the Series 2022A Bonds

Events of default occur if the District fails to impose the Required Mill Levy, or to apply the Pledged Revenues as required by the Indenture and does not comply with other customary terms and conditions consistent with normal municipal financing as described in the Indenture.

The Series 2022A Bonds principal and interest will mature as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ -	\$ 2,871,113	\$ 2,871,113
2025	-	2,871,113	2,871,113
2026	-	2,871,113	2,871,113
2027	-	2,871,113	2,871,113
2028	-	2,871,113	2,871,113
2029-2033	2,985,000	14,089,407	17,074,407
2034-2038	5,755,000	12,734,401	18,489,401
2039-2043	8,260,000	10,556,064	18,816,064
2044-2048	10,490,000	7,604,214	18,094,214
2049-2052	15,900,000	3,155,963	19,055,963
Total	<u>\$ 43,390,000</u>	<u>\$ 62,495,614</u>	<u>\$ 105,885,614</u>

**SAGEBRUSH FARM METROPOLITAN DISTRICT NO. 1  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)**

**Authorized Debt**

On May 3, 2022, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$ 3,800,000,000 at an interest rate not to exceed 18% per annum. On December 31, 2023, the District had authorized but unissued indebtedness of \$3,756,610,000. Of the total authorized but unissued indebtedness, \$3,036,610,000 remains for the general obligation indebtedness for capital purposes, \$340,000,000 for debt refundings, \$20,000,000 for operations and maintenance, \$340,000,000 for intergovernmental agreements, and \$20,000,000 for telecommunications. 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.

	Amount Authorized on May 3, 2022	Authorization Used Series 2022A Bonds	Authorized But Unissued
Streets	\$ 340,000,000	\$ 23,563,400	\$ 316,436,600
Parks and Recreation	340,000,000	-	340,000,000
Water	340,000,000	5,922,554	334,077,446
Sanitary / Storm Sewer	340,000,000	13,904,046	326,095,954
Public Transport	340,000,000	-	340,000,000
Mosquito Control	20,000,000	-	20,000,000
Safety Protection	340,000,000	-	340,000,000
Fire Protection	340,000,000	-	340,000,000
Television Relay	340,000,000	-	340,000,000
Security Services	340,000,000	-	340,000,000
Telephone / Satellite Systems	20,000,000	-	20,000,000
Operations and Maintenance	20,000,000	-	20,000,000
Intergovernmental Agreements	340,000,000	-	340,000,000
Debt Refunding	340,000,000	-	340,000,000
Total	<u>\$ 3,800,000,000</u>	<u>\$ 43,390,000</u>	<u>\$ 3,756,610,000</u>

Pursuant to the Service Plan, the District is permitted to issue bond indebtedness of up to \$340,000,000. In the future, the District may issue a portion or all of the remaining authorized but unissued general obligation debt for purposes of providing public improvements to support development as it occurs within the District's service area. The District anticipates issuing \$13,660,000 in general obligation debt in the year ending December 31, 2024.

**SAGEBRUSH FARM METROPOLITAN DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 6 NET POSITION**

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

Restricted net position includes assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had restricted net position as of December 31, 2023 as follows:

	Governmental Activities
Restricted Net Position:	
Emergencies	\$ 200
Debt Service Reserve	306,399
Total Restricted Net Position	\$ 306,599

The District has a deficit in unrestricted net position. This deficit amount is a result of the District being responsible for the repayment of bonds issued for public improvements, a portion of which have been conveyed and/or will be conveyed to other governmental entities.

**NOTE 7 RELATED PARTY**

All members on the Board of Directors are employees, owners, or are otherwise associated with The Opus Development Company, LLC (the Developer). The Developer holds interest in Sun Empire One Owner, LLC and Sun Empire Venture, LLC, which own or are anticipated to own property within the boundaries of the District. The Developer and its related entities may have conflicts of interest in dealing with the District.

**Operation Funding Agreement**

The District has approved a Multiple-Year Operation Funding Agreement with Sun Empire Venture LLC, a Delaware limited liability company (Sun Empire Venture) with an effective date of August 9, 2022, as amended by that certain First Amendment to Multiple-Year Operation Funding Agreement, dated December 14, 2022, and as amended by that certain Second Amendment to Multiple-Year Operation Funding Agreement, dated November 8, 2023 (collectively, the OFA). The OFA sets forth the terms upon which Sun Empire Venture is to advance funds to the District to pay, or will directly pay, its ongoing operations, maintenance and administrative expenses (O&M Expenses) which enable it to provide administrative and operations services for itself and Sagebrush Farm Metropolitan District No. 3 and Sagebrush Farm Metropolitan District No. 4 (collectively, the District Services) on a periodic basis as needed from the date of the OFA through 2027 up to an aggregate amount of \$400,000 upon written notice from the District. The O&M Expenses do not include the estimated costs of operation, maintenance, repair and replacement of Public Improvements which will not be accepted for operation and maintenance by other local governments, which the parties to the OFA agree will be determined and become the subject of an amendment to the OFA prior to the construction of such Public Improvements to adjust the O&M Expenses to ensure there are funds to make payment of such costs of

**SAGEBRUSH FARM METROPOLITAN DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 7 RELATED PARTY (CONTINUED)**

**Operation Funding Agreement (Continued)**

operation, maintenance, repair and replacement. The OFA provides that simple interest is to accrue at the rate of 8% per annum on each Developer Advance (as defined in the OFA) from the date of deposit into the District's account or from the date of direct payment by Sun Empire Venture, until paid and on amounts advanced by Sun Empire Venture to the District prior to the date of the OFA from the date of the OFA until paid. At December 31, 2023, there was \$214,335 outstanding under this agreement, of which \$204,658 is principal and \$9,677 is interest.

**Facilities Funding and Acquisition Agreement**

The District has approved a Facilities Funding and Acquisition Agreement, with an effective date of August 9, 2022 (FFAA) with Sun Empire Venture, setting forth the rights, obligations and procedures for the acquisition of certain Public Improvements (the Public Improvements) from Sun Empire Venture and for the reimbursement by the District to Sun Empire Venture of costs related to Public Improvements, as well as expenses for the organization of Sagebrush Metropolitan District Nos. 3-6 (Organization Expenses).

Pursuant to the FFAA, Sun Empire Venture agreed to advance funds (Advances) necessary to fund the costs of the design, testing, engineering and construction of the Public Improvements, together with the related consultant and management fees associated with the construction of the Public Improvements (Construction Related Expenses) incurred by the District on a periodic basis as needed. If the District requires additional advances above the Construction Shortfall Amount (as defined in the FFAA), the District is to request such additional funds from Sun Empire Venture and, if Sun Empire Venture approves such amounts, the amount of such additional advances is to be added to the Shortfall Amount. The FFAA also sets forth certain procedures for the District's acquisition of Public Improvements and verification that the Construction Related Expenses incurred by Sun Empire Venture are reimbursable (Verified Costs). Such procedures require the District to obtain a certification of an independent engineer that the Construction Related Expenses are reasonable and comparable to similar projects as constructed in the Denver metropolitan area, and verification from the District's accountant that the Construction Related Expenses are reimbursable. On December 31, 2022, any costs not paid or reimbursed under this agreement, shall be deemed to be discharged and satisfied in full. At December 31, 2023, there were no unpaid advances.

**SAGEBRUSH FARM METROPOLITAN DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 8 AGREEMENTS**

**Memorandum of Understanding**

The District, Sagebrush Farm Metropolitan District No. 3 and Sagebrush Farm Metropolitan District No. 4 (collectively the Districts), entered into a Memorandum of Understanding dated July 15, 2022 (MOU), pursuant to which the District was designated as the coordinating district for purposes of providing any financing, construction, design, operation and maintenance of the Public Improvements benefiting the property within the Districts, as well as the overall administration of the Districts, until the Districts finalize a facilities funding, construction and operations agreement among them (FFCOA). Pursuant to the MOU, the Districts agreed that although it is anticipated that debt associated with each district will be incurred directly by each district, funds for construction, administration, operation and maintenance of Public Improvements may be allocated among the Districts in accordance with the FFCOA. Further, the Districts agreed in the MOU that the FFCOA is to provide for District No. 3 and District No. 4 to reimburse the District for certain costs incurred by the District pursuant to the MOU based on an allocable basis to be set forth in the FFCOA.

**Aurora Regional Transportation Authority**

The District entered into the Aurora Regional Transportation Authority (ARTA) Establishment Agreement as amended, with other metropolitan districts within Aurora. ARTA will plan, design, acquire, construct, relocate, redevelop, and finance regional improvements within the boundaries of the metropolitan districts which are a party to the Agreement, using the ARI revenue from each of the districts. In accordance with the IGA, the City has been offered the right to appoint no less than 30% and no more than 49% of the ARTA Board but as of December 31, 2023, had not exercised this right. In 2023, \$0.00 was collected to be remitted under this agreement.

**NOTE 9 ECONOMIC DEPENDENCY**

The District has not yet established a revenue base sufficient to pay operational expenditures. Until an independent revenue base is established, continuation of operations in the District will be dependent upon funding by the Developer.

**SAGEBRUSH FARM METROPOLITAN DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

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

**NOTE 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 within the state of Colorado, except Enterprises.

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.

On May 3, 2022, a majority of the District's electors authorized the District to collect and spend or retain in a reserve any currently levied taxes and fees of the District without regard to any limitations under TABOR.

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 benefit increases.

The District's management has taken steps it believes are necessary to comply 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.

**SAGEBRUSH FARM METROPOLITAN DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 12 SUBSEQUENT EVENTS**

In Summer 2024, the District submitted an application to the City to amend the Service Plan into the Second Amended and Restated Service Plan. The City adopted the Ordinance approving the Second Amended and Restated Service Plan during two readings, on July 22, 2024, and August 12, 2024. As of the date of this Audit, the City has not yet provided the signed Ordinance to the District. The Second Amended and Restated Service Plan allows the District to impose an ARI Mill Levy (as defined in the Second Amended and Restated Service Plan) of 5 mills, as adjusted.

The intent of the Second Amended and Restated Service Plan, in part, is for the District to terminate its existing membership in the Aurora RTA and to instead join the Aerotropolis RTA. To be included in the Aerotropolis RTA, private property owners need to Petition the Aerotropolis RTA for inclusion, and the District would execute an IGA with Aerotropolis RTA related to the capital projects to be competed and the pledge of revenue for same, including without limitation, the District's ARI Mill Levy of 5 mills, as adjusted, among other terms. These documents are in process as of the date of this Audit, and the District anticipates that the Aerotropolis RTA inclusion documents will be fully executed by the end of September 2024.

In Summer 2024, the District also approved an Exclusion Agreement with Sun Empire Venture, LLC and Kairus Inc., under which property owned by Kairus could be excluded from the District subject to the terms set forth in the Exclusion Agreement, including that the Kairus property would remain subject to the District's ARI Mill Levy and Operations Mill Levy pursuant to a PILOT Covenant for same, and provided that Kairus pays the consideration necessary to exclude from the District, as defined and described in the Exclusion Agreement. The Exclusion Agreement has not yet been fully executed, and the District anticipates that the Exclusion Agreement will be fully executed by the end of August 2024.

The District also entered into a Cost Sharing Agreement – Median Landscape Installation and Operation with Velocity Metropolitan District No. 1 ("Velocity"), dated July 1, 2024 ("Velocity Median Agreement"), under which the District and Velocity agreed to share, on an equal basis, in the costs of constructing and operating and maintaining certain landscape medians in the East 56<sup>th</sup> Avenue right-of-way.

The District approved a Cost Sharing Agreement - East 56th Avenue Roadway Improvements with Velocity ("Velocity Reimbursement Agreement"), under which the District agreed to reimburse Velocity the sum of \$3,000,000 for certain East 56<sup>th</sup> Avenue roadway improvements that Velocity constructed. The Velocity Reimbursement Agreement has not yet been fully executed, and the District anticipates that the Velocity Reimbursement Agreement will be fully executed by the end of August 2024.

The District approved a Cost Sharing Agreement – Median Landscape Installation and Operation ("Windler Median Agreement") with certain other metropolitan districts or authorities in the Windler development (collectively, "Windler"), which will have similar terms to the Velocity Median Agreement. The Windler Median Agreement is still under negotiation with Windler, and the District anticipates that the Windler Median Agreement will be fully executed by the end of September 2024.

## **SUPPLEMENTARY INFORMATION**

**SAGEBRUSH FARM METROPOLITAN DISTRICT NO. 1  
DEBT SERVICE FUND  
SCHEDULE 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	\$ 2	\$ 2	\$ -
Interest Income	358,000	503,795	145,795
Total Revenues	<u>358,002</u>	<u>503,797</u>	<u>145,795</u>
<b>EXPENDITURES</b>			
Paying Agent Fees	10,000	-	10,000
Bond Interest	2,871,113	2,871,113	-
Contingency	18,887	-	18,887
Total Expenditures	<u>2,900,000</u>	<u>2,871,113</u>	<u>28,887</u>
<b>NET CHANGE IN FUND BALANCE</b>	(2,541,998)	(2,367,316)	174,682
Fund Balance - Beginning of Year	<u>13,360,000</u>	<u>12,220,236</u>	<u>(1,139,764)</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 10,818,002</u>	<u>\$ 9,852,920</u>	<u>\$ (965,082)</u>

**SAGEBRUSH FARM METROPOLITAN DISTRICT NO. 1  
CAPITAL PROJECTS FUND  
SCHEDULE 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>			
Interest Income	\$ 560,000	\$ 1,142,349	\$ 582,349
Other Revenue	-	15,168	15,168
Total Revenues	<u>560,000</u>	<u>1,157,517</u>	<u>597,517</u>
<b>EXPENDITURES</b>			
Accounting	60,000	9,542	50,458
Engineering	-	48,402	(48,402)
Legal	60,000	6,928	53,072
Capital Outlay	10,000,000	9,704,393	295,607
Contingency	1,880,000	-	1,880,000
Total Expenditures	<u>12,000,000</u>	<u>9,769,265</u>	<u>2,230,735</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(11,440,000)	(8,611,748)	2,828,252
<b>OTHER FINANCING SOURCES (USES)</b>			
Developer Advance	10,000,000	9,699,393	(300,607)
Repay Developer Advance	(10,000,000)	(9,699,393)	300,607
Developer Advance - Interest Expense	-	(19,920)	(19,920)
Total Other Financing Uses	<u>-</u>	<u>(19,920)</u>	<u>(19,920)</u>
<b>NET CHANGE IN FUND BALANCE</b>	(11,440,000)	(8,631,668)	2,808,332
Fund Balance - Beginning of Year	<u>23,761,762</u>	<u>28,476,850</u>	<u>4,715,088</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 12,321,762</u>	<u>\$ 19,845,182</u>	<u>\$ 7,523,420</u>

## **OTHER INFORMATION**

**SAGEBRUSH FARM METROPOLITAN DISTRICT NO. 1**  
**SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY**  
**DECEMBER 31, 2023**

Bonds and Interest Maturing in the Year Ending December 31,	\$43,390,000 General Obligation Limited Tax Bonds Series 2022A Issued October 19, 2022 Interest Rate: 6.375% and 6.75% Interest Payable June 1 and December 1 Principal Payable December 1		
	Principal	Interest	Total
2024	\$ -	\$ 2,871,113	\$ 2,871,113
2025	-	2,871,113	2,871,113
2026	-	2,871,113	2,871,113
2027	-	2,871,113	2,871,113
2028	-	2,871,113	2,871,113
2029	25,000	2,871,113	2,896,113
2030	645,000	2,869,519	3,514,519
2031	675,000	2,828,400	3,503,400
2032	790,000	2,785,369	3,575,369
2033	850,000	2,735,006	3,585,006
2034	965,000	2,680,819	3,645,819
2035	1,030,000	2,619,300	3,649,300
2036	1,160,000	2,553,638	3,713,638
2037	1,235,000	2,479,688	3,714,688
2038	1,365,000	2,400,956	3,765,956
2039	1,440,000	2,313,938	3,753,938
2040	1,610,000	2,222,138	3,832,138
2041	1,710,000	2,119,500	3,829,500
2042	1,890,000	2,010,488	3,900,488
2043	1,610,000	1,890,000	3,500,000
2044	1,785,000	1,781,325	3,566,325
2045	1,900,000	1,660,838	3,560,838
2046	2,105,000	1,532,588	3,637,588
2047	2,245,000	1,390,500	3,635,500
2048	2,455,000	1,238,963	3,693,963
2049	2,645,000	1,073,250	3,718,250
2050	2,905,000	894,713	3,799,713
2051	3,100,000	698,625	3,798,625
2052	7,250,000	489,375	7,739,375
Total	<u>\$ 43,390,000</u>	<u>\$ 62,495,614</u>	<u>\$ 105,885,614</u>

**SAGEBRUSH FARM METROPOLITAN DISTRICT NO. 1**  
**SUMMARY OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED**  
**DECEMBER 31, 2023**

Year Ended <u>December 31,</u>	Prior Year Assessed Valuation for Current Year Tax Levy	Mills Levied	Total Property Taxes		Percentage Collected to Levied
			Levied	Collected	
2021	\$ 30	-	\$ -	\$ -	- %
2022	30	-	-	-	-
2023	50	49.463	3	2	82.33
Estimated for the Year Ending 2024	\$ 10,960	49.544	\$ 543		

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

## **CONTINUING DISCLOSURE OBLIGATION**

**SAGEBRUSH FARM METROPOLITAN DISTRICT NO. 1  
CONTINUING DISCLOSURE OBLIGATION  
DECEMBER 31, 2023**

**General Fund Budget Summary**

	<u>2024 Budget</u>
<b>REVENUES</b>	
Property Taxes	\$ 110
Specific Ownership Taxes	8
ARI - Aurora Regional Improvement Tax	12
Total Revenues	130
<b>EXPENDITURES</b>	
Accounting	60,000
Audit	5,575
County Treasurer's Fees	2
Dues and Memberships	1,000
Insurance	5,500
Legal	70,000
Miscellaneous	10,000
Contingency	13,611
Website	3,300
Intergovernmental Expenditures	12
Total Expenditures	169,000
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(168,870)
<b>OTHER FINANCING SOURCES (USES)</b>	
Developer Advance	168,880
Total Other Financing Sources (Uses)	168,880
<b>NET CHANGE IN FUND BALANCE</b>	10
Fund Balance - Beginning of Year	-
<b>FUND BALANCE - END OF YEAR</b>	\$ 10

**SAGEBRUSH FARM METROPOLITAN DISTRICT NO. 1  
CONTINUING DISCLOSURE OBLIGATION  
DECEMBER 31, 2023**

**Debt Service Fund Budget Summary**

	<u>2024 Budget</u>
<b>REVENUES</b>	
Property Taxes	\$ 421
Specific Ownership Taxes	29
Interest Income	300,000
Total Revenues	300,450
<b>EXPENDITURES</b>	
County Treasurer's Fees	6
Paying Agent Fees	10,000
Bond Interest	2,871,113
Contingency	18,881
Total Expenditures	2,900,000
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(2,599,550)</b>
<b>OTHER FINANCING SOURCES (USES)</b>	
Total Other Financing Sources (Uses)	-
<b>NET CHANGE IN FUND BALANCE</b>	<b>(2,599,550)</b>
Fund Balance - Beginning of Year	9,988,281
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ 7,388,731</b>

**SAGEBRUSH FARM METROPOLITAN DISTRICT NO. 1  
CONTINUING DISCLOSURE OBLIGATION  
DECEMBER 31, 2023**

**Capital Projects Fund Budget Summary**

	<u>2024 Budget</u>
<b>REVENUES</b>	
Investment Income	\$ 233,000
Total Revenues	<u>233,000</u>
<b>EXPENDITURES</b>	
Accounting	13,000
Legal	13,000
Engineering	100,000
Capital Outlay	8,600,000
Contingency	174,000
Total Expenditures	<u>8,900,000</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(8,667,000)
<b>OTHER FINANCING SOURCES (USES)</b>	
Developer Advance	8,600,000
Repayment of Developer Advance	<u>(8,600,000)</u>
Total Other Financing Sources (Uses)	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	(8,667,000)
Fund Balance - Beginning of Year	<u>14,854,598</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 6,187,598</u>

**SAGEBRUSH FARM METROPOLITAN DISTRICT NO. 1  
CONTINUING DISCLOSURE OBLIGATION  
DECEMBER 31, 2023**

**Assessed and "Actual" Valuation of Classes of Property in the District**

<u>Class</u>	<u>Assessed Valuation</u>	<u>Percent of Assessed Valuation</u>	<u>"Actual" Valuation</u>	<u>Percent of "Actual" Valuation</u>
Agricultural	\$ 41,468	100.00%	\$ 10,960	100.00%
Total	<u>\$ 41,468</u>	<u>100.00%</u>	<u>\$ 10,960</u>	<u>100.00%</u>

Source: County Assessor's Office.

**Largest Taxpayers Within the District in 2023**

<u>Taxpayer</u>	<u>Actual Value</u>	<u>Assessed Value</u>	<u>Percent of Assessed Valuation</u>
Sun Empire Ventures LLC	\$ 41,468	\$ 10,960	26.43%
Total	<u>\$ 41,468</u>	<u>\$ 10,960</u>	<u>26.43%</u>