

**Annual Report and Disclosure Form  
Sky Ranch Metropolitan District No. 1  
(the “District”)**

August 1, 2023

Pursuant to Section 32-1-207, C.R.S. the District submits the following documents and information to the County for report year 2022:

**1. Boundary changes made or proposed to the District’s boundaries as of December 31 of the prior year.**

There were no boundary changes in 2022.

**2. Intergovernmental Agreements either proposed, entered into, or terminated as of December 31 of the prior year.**

There were no intergovernmental Agreements proposed, entered into, or terminated as of December 31 of the prior year.

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

Any rules or regulations adopted by the District or the CAB, including design guidelines and other covenant enforcement related documents, can be accessed on the Authority’s website at <https://SkyRanch.colorado.gov>, under the “Resource Center” tab.

**4. A summary of any litigation which involves public improvements owned by the District as of December 31 of the prior year.**

The District was not involved in any pending or threatened litigation in 2022.

**5. Status of the District’s construction of the Public Improvements as of December 31 of the prior year.**

The Sky Ranch Community Authority Board (the “CAB”) directs all construction for the District. As of 2022, the public improvements in Neighborhood B/Phase 1/Filing Nos. 1, 2, and 3 (which roughly corresponds to the boundaries of District No. 1) were completed.

**6. List of all facilities and improvements constructed by the District that have been dedicated to and accepted by the County as of December 31 of the prior year.**

No facilities or improvements were dedicated to or accepted by the County in 2022.

**7. The assessed valuation of the District for the current year.**

The District’s assessed valuation for 2023 is \$14,162,424.

**8. Current year budget.**

The District's 2022 Budget is attached hereto as Exhibit A.

**9. Audit of the District's financial statements, for the year ending December 31 of the previous year, prepared in accordance with generally accepted accounting principles or audit exemption, if applicable.**

The District's 2022 Audit is attached hereto as Exhibit B.

**10. Notice of any uncured defaults existing more than 90 days under any debt instrument of the District.**

To our knowledge, there are no uncured events of default by the District which continue beyond a 90 day period.

**11. Any inability of the District to pay its obligations as they come due under any obligation which continues beyond a 90 day period.**

To our knowledge, the District has been able to pay its obligations as they come due.

**12. Any fees, rates, tolls, penalties or charges imposed pursuant to Section 32-1-1001(I), C.R.S., including the amount of any PIF collected by the District.**

The District does not impose fees or PIF within its boundaries; however, the declarant recorded a PIF against all property within in the Service Area of the Sky Ranch Metropolitan Districts and the CAB, under which it assigned its declarant rights, and the right to receive the PIF revenue, to Sky Ranch Metropolitan District No. 5 ("District No. 5"). Under the CABEA, the PIF revenue flows to the CAB. The PIF consists of a retail component and a construction component.

The CAB imposes an "O&M Fee" in both the District (commencing in February 2022) District No. 3, in the amount of \$50 per lot per month, or \$600 per lot annually. The CAB imposes an administrative fee of \$100 per sale or transfer of any lot.

**13. The amount of all Debt, including any refunding Debt issued by the District.**

As of December 2022, the District had not issued any debt.

In 2019 the CAB issued its \$11,435,000 in Limited Tax Supported District No. 1 Senior Bonds, Series 2019A ("Senior Bonds") and \$1,760,000 in Limited Tax Supported District No. 1 Subordinate Bonds, Series 2019B ("Subordinate Bonds") (collectively, the "Series 2019 Bonds"). The repayment of the CAB's Series 2019 Bonds are secured by the imposition of *ad valorem* property taxes within the boundaries of District No. 1, pursuant to a Capital Pledge Agreement by and between the CAB and District No. 1

**14. The amount of all Developer Loans issued during the prior year, the estimated repayment schedule of such Developer Loans and the total amount of all unpaid Developer Loans as of December 31 of the prior year.**

The District did not issue any Developer loans in 2022. All Developer Loans are issued through the CAB.

**EXHIBIT A**  
2023 Budget

**SKY RANCH METROPOLITAN DISTRICT NO. 1**  
**ANNUAL BUDGET**  
**FOR THE YEAR ENDING DECEMBER 31, 2023**

**SKY RANCH METROPOLITAN DISTRICT NO. 1  
SUMMARY  
2023 BUDGET  
WITH 2021 ACTUAL AND 2022 ESTIMATED  
For the Years Ended and Ending December 31,**

1/7/23

	ACTUAL 2021	ESTIMATED 2022	BUDGET 2023
BEGINNING FUND BALANCES	\$ -	\$ -	\$ -
REVENUES			
Property taxes	383,219	877,735	961,997
Specific ownership taxes	26,412	55,200	57,720
Interest income	90	190	-
Other revenue	-	-	15,000
Total revenues	<u>409,721</u>	<u>933,125</u>	<u>1,034,717</u>
Total funds available	<u>409,721</u>	<u>933,125</u>	<u>1,034,717</u>
EXPENDITURES			
General Fund	68,283	155,512	174,953
Debt Service Fund	341,438	777,613	859,764
Total expenditures	<u>409,721</u>	<u>933,125</u>	<u>1,034,717</u>
Total expenditures and transfers out requiring appropriation	<u>409,721</u>	<u>933,125</u>	<u>1,034,717</u>
ENDING FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

No assurance provided. See summary of significant assumptions.

**SKY RANCH METROPOLITAN DISTRICT NO. 1**  
**PROPERTY TAX SUMMARY INFORMATION**  
**2023 BUDGET**  
**WITH 2021 ACTUAL AND 2022 ESTIMATED**  
**For the Years Ended and Ending December 31,**

1/7/23

ACTUAL 2021	ESTIMATED 2022	BUDGET 2023
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**ASSESSED VALUATION**

Residential - Single Family	\$ 2,779,524	\$ 9,114,781	\$ 12,873,736
Commercial	-	-	79,829
State assessed	-	-	3,540
Vacant land	2,883,454	3,791,587	849,899
Personal property	74,182	72,754	355,420
Certified Assessed Value	\$ 5,737,160	\$ 12,979,122	\$ 14,162,424

**MILL LEVY**

General	11.132	11.132	11.321
Debt Service	55.664	55.664	56.605
Total mill levy	66.796	66.796	67.926

**PROPERTY TAXES**

General	\$ 63,866	\$ 144,483	\$ 160,333
Debt Service	319,353	722,470	801,664
Levied property taxes	383,219	866,953	961,997
Adjustments to actual/rounding	-	10,782	-
Budgeted property taxes	\$ 383,219	\$ 877,735	\$ 961,997

**BUDGETED PROPERTY TAXES**

General	\$ 63,866	\$ 146,280	\$ 160,333
Debt Service	319,353	731,455	801,664
	\$ 383,219	\$ 877,735	\$ 961,997

**SKY RANCH METROPOLITAN DISTRICT NO. 1  
GENERAL FUND  
2023 BUDGET  
WITH 2021 ACTUAL AND 2022 ESTIMATED  
For the Years Ended and Ending December 31,**

1/7/23

	ACTUAL 2021	ESTIMATED 2022	BUDGET 2023
BEGINNING FUND BALANCE	\$ -	\$ -	\$ -
REVENUES			
Property taxes	63,866	146,280	160,333
Specific ownership taxes	4,402	9,200	9,620
Interest income	15	32	-
Other revenue	-	-	5,000
Total revenues	<u>68,283</u>	<u>155,512</u>	<u>174,953</u>
Total funds available	<u>68,283</u>	<u>155,512</u>	<u>174,953</u>
EXPENDITURES			
General and administrative			
County Treasurer's fee	958	2,195	2,405
Contingency	-	-	5,000
Transfers to CAB	67,325	153,317	167,548
Total expenditures	<u>68,283</u>	<u>155,512</u>	<u>174,953</u>
Total expenditures and transfers out requiring appropriation	<u>68,283</u>	<u>155,512</u>	<u>174,953</u>
ENDING FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

No assurance provided. See summary of significant assumptions.



**SKY RANCH METROPOLITAN DISTRICT NO. 1  
DEBT SERVICE FUND  
2023 BUDGET  
WITH 2021 ACTUAL AND 2022 ESTIMATED  
For the Years Ended and Ending December 31,**

1/7/23

	ACTUAL 2021	ESTIMATED 2022	BUDGET 2023
BEGINNING FUND BALANCE	\$ -	\$ -	\$ -
REVENUES			
Property taxes	319,353	731,455	801,664
Specific ownership taxes	22,010	46,000	48,100
Interest income	75	158	-
Other revenue	-	-	10,000
Total revenues	<u>341,438</u>	<u>777,613</u>	<u>859,764</u>
Total funds available	<u>341,438</u>	<u>777,613</u>	<u>859,764</u>
EXPENDITURES			
General and administrative			
County Treasurer's fee	4,791	10,974	12,025
Contingency	-	-	10,000
Transfers to CAB	336,647	766,639	837,739
Total expenditures	<u>341,438</u>	<u>777,613</u>	<u>859,764</u>
Total expenditures and transfers out requiring appropriation	<u>341,438</u>	<u>777,613</u>	<u>859,764</u>
ENDING FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

No assurance provided. See summary of significant assumptions.

**SKY RANCH METROPOLITAN DISTRICT NO. 1**  
**2023 BUDGET**  
**SUMMARY OF SIGNIFICANT ASSUMPTIONS**

**Services Provided**

Sky Ranch Metropolitan District No. 1 (the District), a quasi-municipal corporation and a political subdivision of the State of Colorado, was organized by order and decree of the Arapahoe County (County) District Court issued on February 23, 2005 and recorded in the County records on March 15, 2005, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District's service area is located entirely within Arapahoe County, Colorado.

The District was established to provide for the design, acquisition, construction, financing, installation, and maintenance of public improvements and services, including streets, park and recreation, water, sanitary sewer, public transportation, mosquito control, traffic and safety controls, and television relay and translation. Under its Modified Service Plan, approved by the County on September 14, 2005, the District was organized in conjunction with three other related Districts: Sky Ranch Metropolitan District Nos. 3 through 5. The District entered into a Community Authority Board Establishment Agreement with District No. 5 on November 3, 2017 and an Amended and Restated Sky Ranch Community Authority Establishment agreement on September 18, 2018 (effective November 13, 2017). The District entered into Second Amended and Restated Sky Ranch Community Authority Board Establishment Agreement (the CABEA) with District Nos. 3 and 5 on August 13, 2021 which establishes the Sky Ranch Community Authority Board (the CAB). The CAB will own, operate and maintain certain public improvements within the boundaries of the Districts.

The Service Plans for District No.1 limit the amount of debt that the District may issue together with any debt issued by the CAB to \$162,000,000. On November 1, 2019, the District entered into a Capital Pledge Agreement with the CAB and committed to impose a mill levy annually that does not exceed the Service Plan limits for a debt mill levy, to repay Bonds to be issued by the CAB in a principal amount that does not exceed \$162,000,000 (the Pledged Revenue). The Pledged Revenue may be used by the CAB to repay bonds the CAB has issued or will issue, including without limitation, the CAB's \$11,435,000 Limited Tax Supported District No. 1 Senior Bonds (Tax-Exempt Fixed Rate), Series 2019A and its \$1,760,000 Limited Tax Supported District No. 1 Subordinate Bonds (Tax-Exempt Fixed Rate), Series 2019B, and future bond issuances by the CAB.

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

The District prepares its budget on the modified accrual basis of accounting in accordance with the requirements of Colorado Revised Statutes C.R.S. 29-1-105 using its best estimates as of the date of the budget hearing. These estimates are based on expected conditions and its expected course of actions. The assumptions disclosed herein are those that the District believes are significant to the budget. There will usually be differences between the budget and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

**SKY RANCH METROPOLITAN DISTRICT NO. 1  
2023 BUDGET  
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

**Revenues**

**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, sale of the tax liens on delinquent properties are held in November. The County Treasurer remits the taxes collected monthly to the District.

Senate Bill 21-293 among other things, designates multi-family residential real property (defined generally, as property that is a multi-structure of four or more units) as a new subclass of residential real property. For tax collection year 2023, the assessment rate for single family residential property decreases to 6.95% from 7.15%. The rate for multifamily residential property, the newly created subclass, decreases to 6.80% from 7.15%. Agricultural and renewable energy production property decreases to 26.4% from 29.0%. Producing oil and gas remains at 87.5%. All other nonresidential property stays at 29%.

Pursuant to the Service Plan, the maximum total mill levy the District is permitted to impose is 50.000 mills (subject to adjustment for changes in the method of calculating the assessed valuation after September 14, 2004) for debt service until the District's then outstanding debt is equal to or less than 50% of the District's assessed valuation, at that time the debt service mill levy will be unlimited. The maximum mill levy pledged to debt service fund is 50.000 mills. As a result of the assessment ratio change, for collection year 2023, the 50.000 have been adjusted to 56.605 mills for debt service. The service plan does not contain any limitations on the amount of the mill levy for operations and maintenance, and the District levied 11.321 for collection year 2023 for operations.

The calculation of the taxes levied is displayed on the Property Tax Summary page of the budget using the adopted mill levy imposed by the District.

**Specific Ownership Taxes**

Specific ownership taxes are set by the State and collected by the County Treasurer, primarily on vehicle licensing within the County as a whole. The specific ownership taxes are allocated by the County Treasurer to all taxing entities within the County. The budget assumes that the District's share will be equal to approximately 6% of the property taxes collected by both the General Fund and Debt Service Fund.

**SKY RANCH METROPOLITAN DISTRICT NO. 1  
2023 BUDGET  
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

**Expenditures**

**Transfers to CAB**

In connection with the CABEA, the District will transfer property taxes, net of fees, derived from the operations mill levy, together with specific ownership taxes, to the CAB to pay for operations and maintenance expenditures. The District will also transfer property taxes, net of fees, derived from the debt service mill levy, together with specific ownership taxes, to the CAB to pay for the principal and interest on bonds which CAB has issued in November 2019.

**County Treasurer's Fees**

County Treasurer's fees have been computed at 1.5% of property tax collections.

**Debt and Leases**

The District has no outstanding debt, nor any operating or capital leases.

**Reserves**

**Emergency Reserve**

The District did not provide for Emergency Reserves (equal to at least 3% of the General Fund's fiscal year spending as defined under TABOR) because net tax revenues will be transferred to the CAB. The CAB will provide for the emergency reserve.

**This information is an integral part of the accompanying budget.**

**EXHIBIT B**  
2022 Audit

**SKY RANCH METROPOLITAN  
DISTRICT NO. 1  
Arapahoe County, Colorado**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**


**YEAR ENDED DECEMBER 31, 2022**


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


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## Independent Auditor's Report

Members of the Board of Directors  
Sky Ranch Metropolitan District No.1

### Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Sky Ranch Metropolitan District No.1 (the District) as of and for the year ended December 31, 2022, 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 Sky Ranch Metropolitan District No.1, as of December 31, 2022, 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 audits 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 our report. We are required to be independent of Sky Ranch Metropolitan District No.1 and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Sky Ranch Metropolitan District No.1's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### 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 opinion. 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 generally accepted auditing standards 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, including omissions, 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 generally accepted auditing standards, 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 Sky Ranch Metropolitan District No.1's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Sky Ranch Metropolitan District No.1's ability to continue as a going concern for a reasonable period of time.

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

#### **Required Supplementary Information**

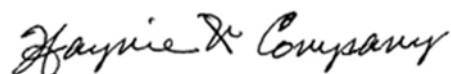
Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required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

#### **Other Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Sky Ranch Metropolitan District No.1's financial statements as a whole. The supplementary information section is presented for purposes of additional analysis and is not a required part of the financial statements.

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

The Other Information section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



Littleton, Colorado  
June 29, 2023

## **BASIC FINANCIAL STATEMENTS**

**SKY RANCH METROPOLITAN DISTRICT NO. 1**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2022**

	Governmental Activities
<b>ASSETS</b>	
Receivable - County Treasurer	\$ 3,265
Property Taxes Receivable	961,997
Total Assets	965,262
 <b>LIABILITIES</b>	
Due to Sky Ranch CAB	3,265
Total Liabilities	3,265
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Property Tax Revenue	961,997
Total Deferred Inflows of Resources	961,997
 <b>NET POSITION</b>	
Total Net Position	\$ -

See accompanying Notes to Basic Financial Statements.

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

		Program Revenues			Net Revenues (Expenses) and Change in Net Position
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
<b>FUNCTIONS/PROGRAMS</b>					
Primary Government:					
Governmental Activities:					
General Government	\$ 153,887	\$ -	\$ -	\$ -	\$ (153,887)
Interest and Related Costs on Long-Term Debt	769,495	-	-	-	(769,495)
Total Governmental Activities	\$ 923,382	\$ -	\$ -	\$ -	(923,382)
<b>GENERAL REVENUES</b>					
Property Taxes					867,856
Specific Ownership Taxes					55,526
Total General Revenues					923,382
<b>CHANGE IN NET POSITION</b>					-
Net Position - Beginning of Year					-
<b>NET POSITION - END OF YEAR</b>					\$ -

See accompanying Notes to Basic Financial Statements.

**SKY RANCH METROPOLITAN DISTRICT NO. 1  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2022**

	General	Debt Service	Total Governmental Funds
<b>ASSETS</b>			
Receivable - County Treasurer	\$ 544	\$ 2,721	\$ 3,265
Property Taxes Receivable	160,333	801,664	961,997
Total Assets	\$ 160,877	\$ 804,385	\$ 965,262
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Due to Sky Ranch CAB	\$ 544	\$ 2,721	\$ 3,265
Total Liabilities	544	2,721	3,265
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property Tax Revenue	160,333	801,664	961,997
Total Deferred Inflows of Resources	160,333	801,664	961,997
<b>FUND BALANCES</b>			
Total Fund Balances	-	-	-
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 160,877	\$ 804,385	\$ 965,262

Amounts reported for governmental activities in the Statement of Net Position are the same as above.

**SKY RANCH METROPOLITAN DISTRICT NO. 1  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2022**

	General	Debt Service	Total Governmental Funds
<b>REVENUES</b>			
Property Taxes	\$ 144,633	\$ 723,223	\$ 867,856
Specific Ownership Taxes	9,254	46,272	55,526
Total Revenues	153,887	769,495	923,382
<b>EXPENDITURES</b>			
County Treasurer's Fees	2,168	10,842	13,010
Transfer to Sky Ranch CAB	151,628	758,199	909,827
Contingency	91	454	545
Total Expenditures	153,887	769,495	923,382
<b>NET CHANGE IN FUND BALANCES</b>	-	-	-
Fund Balances - Beginning of Year	-	-	-
<b>FUND BALANCES - END OF YEAR</b>	\$ -	\$ -	\$ -

Amounts reported for governmental activities in the Statement of Activities are the same as above.

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

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Property Taxes	\$ 144,483	\$ 144,633	\$ 150
Specific Ownership Taxes	10,114	9,254	(860)
Other Revenue	5,000	-	(5,000)
Total Revenues	<u>159,597</u>	<u>153,887</u>	<u>(5,710)</u>
<b>EXPENDITURES</b>			
County Treasurer's Fees	2,167	2,168	(1)
Transfer to Sky Ranch CAB	152,430	151,628	802
Contingency	5,000	91	4,909
Total Expenditures	<u>159,597</u>	<u>153,887</u>	<u>5,710</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	-	-
Fund Balance - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying Notes to Basic Financial Statements.

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

**NOTE 1 DEFINITION OF REPORTING ENTITY**

Sky Ranch Metropolitan District No. 1 (the District), a quasi-municipal corporation and a political subdivision of the State of Colorado, was organized by order and decree of the Arapahoe County (County) District Court issued on February 23, 2005 and recorded in the County records on March 15, 2005, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District's service area is located entirely within Arapahoe County, Colorado.

The District was established to provide for the design, acquisition, construction, financing, installation, and maintenance of public improvements and services, including streets, park and recreation, water, sanitary sewer, public transportation, mosquito control, traffic and safety controls, and television relay and translation. Under its Modified Service Plan, approved by the County on September 14, 2005 (the Service Plan), the District was organized in conjunction with three other related Districts: Sky Ranch Metropolitan District Nos. 3 through 5 (the Districts). The District entered into a Community Authority Board Establishment Agreement with District No. 5 on November 3, 2017 and an Amended and Restated Sky Ranch Community Authority Establishment agreement on September 18, 2018 (effective November 13, 2017). The District entered into Second Amended and Restated Sky Ranch Community Authority Board Establishment Agreement (the CABEA) with District Nos. 3 and 5 on August 13, 2021 which establishes the Sky Ranch Community Authority Board (the CAB). The CAB will own, operate and maintain certain public improvements within the boundaries of the Districts that are parties to the CABEA.

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.



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

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Government-Wide and Fund Financial Statements**

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

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 as general revenues.

Separate financial statements are provided for 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 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 and specific ownership taxes. 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.

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

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

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

The District reports the following major governmental funds:

The General Fund is the District's 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 transferred to the CAB for the payment of principal, interest, and other related costs on long-term debt issued by the CAB for the benefit of the District.

**Budgets**

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

**Property Taxes**

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

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

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

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

**Equity**

**Net Position**

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

**Fund Balance**

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

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

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

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

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

*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.

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

**NOTE 3 CASH AND INVESTMENTS**

**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, 2022, the District had no cash deposits.

**Investments**

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

The District will generally limit its concentration of investments to those which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk or investment custodial risk disclosure requirements for investments that are in the possession of another party.

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

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

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

As of December 31, 2022, the District had no investments.

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

**NOTE 4 AUTHORIZED DEBT**

At an election held on November 6, 2018, the District's eligible electors authorized the District to impose ad valorem property taxes on an annual basis not to exceed \$162,000,000, and to enter into intergovernmental agreements to share such revenue to fund public improvements. Pursuant to this electoral authority, on November 1, 2019, the District entered into a Capital Pledge Agreement with the CAB (discussed below) and committed to impose a mill levy annually that does not exceed the Service Plan limits for a debt mill levy, to repay Bonds to be issued by the CAB in a principal amount that does not exceed \$162,000,000 (the Pledge Obligation).

The District's voters also authorized the issuance of up to \$1,782,000,000 in General obligation debt for public improvements, however the District's Service Plan debt limit of \$162,000,000 constrains the total amount of debt the District can issue.

Under the Capital Pledge Agreement with the CAB, the District agreed to pledge certain revenues to the CAB pursuant to the intergovernmental agreement provisions of Sections 29-1-203 and -203.5, C.R.S., as described in the Capital Pledge Agreement. The District does not have any remaining capacity to pledge because it has pledged to the CAB its full authorization in the form of the Pledge Obligation, which is the same amount as the Service Plan debt limitation.

The Pledge Obligation may be used by the CAB to repay bonds the CAB has issued or will issue, including without limitation, the CAB's \$11,435,000 Limited Tax Supported District No. 1 Senior Bonds (Tax-Exempt Fixed Rate), Series 2019A (the CAB Series 2019A Bonds) and its \$1,760,000 Limited Tax Supported District No. 1 Subordinate Bonds (Tax-Exempt Fixed Rate), Series 2019B (the CAB Series 2019B Bonds, and together with the CAB Series 2019A Bonds, the CAB 2019 Bonds), and future bond issuances by the CAB.

**NOTE 5 AGREEMENTS**

**Sky Ranch Community Authority Board Establishment Agreement (CABEA)**

On November 6, 2012, the District's qualified electors voted in favor of the District entering into the CABEA pursuant to which the District and Sky Ranch Metropolitan District No. 5 established the CAB. The CABEA, effective November 13, 2017, was amended and restated on September 18, 2018, pursuant to the Amended and Restated Sky Ranch Community Authority Board Establishment Agreement. On August 13, 2021, the District entered into Second Amended and Restated Sky Ranch Community Authority Board Establishment Agreement with Sky Ranch Metropolitan District Nos. 3 and 5 (collectively, the "CAB Districts").

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

**NOTE 5 AGREEMENTS (CONTINUED)**

**Sky Ranch Community Authority Board Establishment Agreement (CABEA)  
(Continued)**

Pursuant to the CABEA, the CAB will furnish, operate, and plan for the Public Improvements and each District of the CAB Districts shall transfer certain revenues received by it in order to fund the operation and maintenance costs and capital costs of the Public Improvements. Each of the CAB Districts has agreed, and their Service Plans authorize, that the CAB will own, operate, maintain, finance, and construct Public Improvements benefiting the CAB Districts, and that the Districts will contribute to the costs of construction, operation and maintenance of such Public Improvements. It is the intent of the CAB Districts that the CAB may, from time to time, issue debt and use proceeds to finance the Public Improvements and that the CAB will enter into contracts to construct the Public Improvements.

**Capital Pledge Agreement**

The District entered into a Capital Pledge Agreement with the CAB, dated November 1, 2019, under which the District agrees to impose ad valorem property taxes upon all taxable property of the District, and to transfer the revenues generated from such mill levy imposition, along with the specific ownership taxes attributable to such mill levy, to the CAB for payment of principal and interest on bonds the CAB has issued or will issue, including without limitation, the CAB 2019 Bonds, as well as future bond issuances by the CAB.

**NOTE 6 RELATED PARTIES**

The Developer of the property within the District is Pure Cycle Corporation (Pure Cycle), and the title of the property is held under PCY Holdings LLC (the Property Owner), which is a wholly owned subsidiary of Pure Cycle. The Developer has advanced funds to the CAB. Certain members of the Board of Directors of the CAB and the Districts hold direct or indirect ownership interests in Pure Cycle or the Property Owner or are otherwise associated with Pure Cycle or the Property Owner and may have conflicts of interest in dealing with the CAB and the District. As and when required by law, each affected Board member files a written disclosure of any potential conflicts of interest with the District and the Colorado Secretary of State, and they refrain from voting on affected matters unless allowed by law.

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

**NOTE 7 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 8 TAX, SPENDING, AND DEBT LIMITATIONS**

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

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

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. As of December 31, 2022, the District has not provided for an emergency reserve fund equal to at least 3% of fiscal year spending, as defined under TABOR, because net tax revenue is transferred to the CAB, which provided for the required reserve amount.

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

## **SUPPLEMENTARY INFORMATION**



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

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Property Taxes	\$ 722,470	\$ 723,223	\$ 753
Specific Ownership Taxes	50,573	46,272	(4,301)
Other Revenue	10,000	-	(10,000)
Total Revenues	<u>783,043</u>	<u>769,495</u>	<u>(13,548)</u>
<b>EXPENDITURES</b>			
County Treasurer's Fees	10,837	10,842	(5)
Transfer to Sky Ranch CAB	762,206	758,199	4,007
Contingency	10,000	454	9,546
Total Expenditures	<u>783,043</u>	<u>769,495</u>	<u>13,548</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	-	-
Fund Balance - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

## **OTHER INFORMATION**

**SKY RANCH METROPOLITAN DISTRICT NO. 1**  
**SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED**  
**DECEMBER 31, 2022**

Year Ended <u>December 31,</u>	Prior Year Assessed Valuation for Current Year Tax Levy	Mills Levied		Total Property Taxes		Percent Collected to Levied
		General	Debt Service	Levied	Collected	
2018	\$ 7,048	88.400	-	\$ 623	\$ 623	100.00%
2019	7,087	65.277	-	463	440	95.03
2020	3,865,479	11.132	55.664	258,199	258,201	100.00
2021	5,737,160	11.132	55.664	383,219	383,219	100.00
2022	12,979,122	11.132	55.664	866,953	867,856	100.10
Estimated for the Year Ending December 31, 2023	\$ 14,162,424	11.321	56.605	\$ 961,997		

**SKY RANCH METROPOLITAN DISTRICT NO. 1  
SCHEDULE OF VALUATIONS OF PROPERTY CLASS  
DECEMBER 31, 2022**

<u>Property Class</u>	<u>Total Assessed Valuation</u>	<u>Percent of Total Assessed Valuation</u>
Residential - Single Family	\$ 12,873,736	90.90%
Commercial	79,829	0.56%
Vacant Land	849,899	6.00%
State Assessed	3,540	0.03%
Personal Property	355,420	2.51%
Total	<u>\$ 14,162,424</u>	<u>100.00%</u>