

**SKY RANCH METROPOLITAN DISTRICT NO. 1
("DISTRICT")**

370 Interlocken Boulevard, Suite 500
Broomfield, Colorado 80021
Tel: 303-466-8822
Fax: 303-466-9797

<https://SkyRanch.colorado.gov>

NOTICE OF SPECIAL MEETING AND AGENDA

DATE: June 13, 2022
TIME: 8:30 a.m.
LOCATION: Pure Cycle Corporation
34501 E. Quincy Avenue
Building 65, Suite A
Watkins, CO 80137

CERTAIN BOARD MEMBERS AND CONSULTANTS OF THE DISTRICT MAY ATTEND THIS MEETING IN PERSON AT THE ABOVE-REFERENCED LOCATION. HOWEVER, CERTAIN OTHER BOARD MEMBERS AND CONSULTANTS OF THE DISTRICT MAY ATTEND THIS MEETING VIA TELECONFERENCE, OR WEB-ENABLED VIDEO CONFERENCE. MEMBERS OF THE PUBLIC WHO WISH TO ATTEND THIS MEETING MAY CHOOSE TO ATTEND VIA TELECONFERENCE OR WEB-ENABLED VIDEO CONFERENCE USING THE INFORMATION BELOW.

ACCESS: You can attend the meeting in any of the following ways:

- 1. To attend via Microsoft Teams video-conference use the below link:

https://teams.microsoft.com/l/meetup-join/19%3ameeting_ZTk1MTExMjMtYzFjMy00YTU0LTliMjQtYmU4ZWYzNWQ1ZjMx%40thread.v2/0?context=%7b%22Tid%22%3a%224aaa468e-93ba-4ee3-ab9f-6a247aa3ade0%22%2c%22Oid%22%3a%227e78628f-89cd-4e97-af6c-60df84b55ffe%22%7d

- 2. To attend via telephone, dial **720-547-5281** and enter the following additional information:

Phone Conference ID: **459 099 650#**

<u>Board of Directors</u>	<u>Office</u>	<u>Term Expires</u>
Mark Harding	President	May 2023
Kevin McNeill	Treasurer	May 2023
Scott Lehman	Secretary	May 2023
Dirk Lashnits	Assistant Secretary	May 2025
Joe Knopinski	Assistant Secretary	May 2025

I. ADMINISTRATIVE MATTERS

- A. Present Disclosures of Potential Conflicts of Interest.
- B. Confirm quorum, location of the meeting, and posting of meeting notice. Approve Agenda.
- C. Discuss May 3, 2022 Board of Directors Election.
- D. Confirm filing of Oaths of Office.
- E. Discuss and consider appointment of officers:

<u>Office:</u>	
President	
Treasurer	
Secretary	
Assistant Secretary	
Assistant Secretary	

- F. Consider appointing District No. 1 Board member to the Board of Directors for the Sky Ranch Community Authority Board; Consider adoption of Resolution regarding same (if necessary).
- G. Consider adoption of Resolution 2022-06-__, Resolution of the Board of Directors of Sky Ranch Metropolitan District No. 1 Amending the Regular Meeting Location (enclosure).

II. CONSENT AGENDA

- A. Consider approval of the Minutes from the November 12, 2021 Special Meeting (enclosure).

III. PUBLIC COMMENT

A. Public Comment.

Members of the public may express their views to the Board on matters that affect the District that are otherwise not on the agenda. Comments will be limited to three (3) minutes per person.

IV. FINANCIAL MATTERS

A. Review and consider approval of draft 2021 Audit and authorize execution of Representations Letter (enclosure – 2021 draft audit).

B. Other.

V. LEGAL MATTERS

A. Other.

VI. OTHER BUSINESS

A. Discuss next meeting date and confirm quorum – November 11, 2022.

VII. ADJOURNMENT

THE NEXT MEETING IS SCHEDULED FOR NOVEMBER 11, 2022

RESOLUTION NO. 2022-06-__

**RESOLUTION OF THE BOARD OF DIRECTORS OF
THE SKY RANCH COMMUNITY METROPOLITAN DISTRICT NO. 1 AMENDING
REGULAR MEETING LOCATION**

A. Pursuant to Section 32-1-903(1.5), C.R.S., special districts are required to designate a schedule for regular meetings, indicating the dates, time and location of said meetings.

B. Pursuant to Section 32-1-903(5), C.R.S., “location” means the physical, telephonic, electronic, or virtual place, or a combination of such means where a meeting can be attended. “Meeting” has the same meaning as set forth in Section 24-6-402(1)(b), C.R.S., and means any kind of gathering, convened to discuss public business, in person, by telephone, electronically, or by other means of communication.

C. Pursuant to Section 24-6-402(2)(c)(I), C.R.S., special districts are required to designate annually at the board of directors of the district’s first regular meeting of each calendar year, the public place at which notice of the date, time and location of regular and special meetings (“**Notice of Meeting**”) will be physically posted at least 24 hours prior to each meeting (“**Designated Public Place**”). A special district is deemed to have given full and timely notice of a regular or special meeting if it posts its Notice of Meeting at the Designated Public Place at least 24 hours prior to the meeting.

D. The provisions of Section 32-1-903(1.5), C.R.S., may be waived if: (1) the proposed change of the physical location of a meeting of the board appears on the agenda of a meeting; and (2) a resolution is adopted by the board stating the reason for which meetings of the board are to be held in a physical location other than under Section 32-1-903(1.5), C.R.S., and further stating the date, time and physical location of such meeting.

E. A special meeting of the Board of Directors of Sky Ranch Metropolitan District No. 1 was held on November 12, 2021, wherein at such meeting, the Board of Directors of the District adopted Resolution No. 2021-11-01 Establishing Regular Meeting dates, Time, and Location, and Designating Location for Posting of 24-Hour Notices.

F. The Resolution specified the physical meeting location be held at the offices of Pure Cycle Corporation, 34501 E. Quincy Avenue, Building 34, Watkins, Colorado 80137.

G. The CAB desires to adopt a resolution amending its meeting location.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Sky Ranch Metropolitan District No. 1 (the “**District**”), Arapahoe County, Colorado:

1. That the provisions of Section 32-1-903(1.5), C.R.S., be waived pursuant to the adoption of this Resolution.

2. That the Board of Directors (the “**District Board**”) has determined that conducting meetings at a physical location pursuant to Section 32-1-903(1.5), C.R.S., would be

inconvenient and costly for the directors and consultants of the District in that they live and/or work outside of the twenty (20) mile radius requirement.

3. That the regularly scheduled meetings of the District Board for the year 2022 shall be held at the offices of Pure Cycle Corporation 34501 E. Quincy Avenue, Building 65, Suite A, Watkins, Colorado 80137 and via video or telephone conference.

4. That all other provisions of Resolution No. 2021-11-01 Establishing Regular Meeting Dates, Time, and Location, and Designating Location for Posting of 24-Hour Notices remain in effect unless and until the CAB Board makes a determination to further amend, restate, or terminate the Resolution.

5. That special meetings of the District Board shall be held as often as the needs of the District require, upon notice to each director.

6. That, until circumstances change, and a future resolution of the District Board so designates, the physical location and/or method or procedure for attending meetings of the District Board virtually (including the conference number or link) shall appear on the agenda(s) of said meetings.

7. That the residents and taxpaying electors of the District shall be given an opportunity to object to the meeting(s) physical and virtual location(s), and any such objections shall be considered by the District Board in setting future meetings.

[SIGNATURE PAGE FOLLOWS]

[SIGNATURE PAGE TO RESOLUTION AMENDING MEETING LOCATION]

RESOLUTION APPROVED AND ADOPTED on June 13, 2022.

**SKY RANCH METROPOLITAN
DISTRICT NO. 1**

By: _____
President

Attest:

Secretary

RECORD OF PROCEEDINGS

MINUTES OF A SPECIAL MEETING OF THE BOARD OF DIRECTORS OF THE SKY RANCH METROPOLITAN DISTRICT NO. 1 (“MD1”) HELD NOVEMBER 12, 2021

A special meeting of the Board of Directors (referred to hereafter as the “Board”) of The Sky Ranch Metropolitan District No. 1 convened on Friday, the 12th day of November 2021, at 8:30 a.m. at Pure Cycle Corporation, 34501 E. Quincy Ave., Bldg. 34, Watkins, CO 80137. This District Board meeting was also held virtually via Microsoft Teams and by conference call. The meeting was open to the public.

Directors in Attendance Were:

Mark Harding, President
 Joe Knopinski, Vice President
 Scott Lehman, Secretary
 Dirk Lashmits, Assistant Secretary

Absent and excused was Director McNeill.

Also in Attendance Were:

Lisa Johnson, Celeste Terrell, and Cathee Sutton (for a portion of the meeting);
 CliftonLarsonAllen LLP (“CLA”)
 Suzanne Meintzer, Esq.; McGeady Becher P.C.
 Barrett Marrocco (for a portion of the meeting); Independent District Engineering
 Services, LLC (“IDES”)
 Cyrena Finnegan and Deb Saya; Pure Cycle Corporation

Members of the Public:

Ashley Clement, Ryan Funk, Katherine Funk, Carla MacMillan, Rebekah Baker-White,
 Spencer Mahaffey, Jordan Ridgeway, Julie Lane, Kelyn Lanier and Imna Rodriguez.

**ADMINISTRATIVE
MATTERS**

Disclosure of Potential Conflicts of Interest: The Board discussed the requirements pursuant to the Colorado Revised Statutes to disclose any potential conflicts of interest or potential breaches of fiduciary duty to the Board of Directors and to the Secretary of State. Attorney Meintzer requested members of the Board to disclose any potential conflicts of interest regarding any matters scheduled for discussion at this meeting and incorporated for the record those applicable disclosures made by the Board members prior to this meeting in accordance with the statute. Attorney Meintzer noted that all Directors’ Disclosure Statements were filed. No additional conflicts were disclosed at the meeting.

Quorum, Location of Meeting, Posting of Meeting Notice and Agenda: Ms. Johnson confirmed the presence of a quorum. The Board reviewed a proposed agenda for the District Board Meeting.

Following discussion, upon a motion duly made by Director Harding, seconded by Director Lehman and, upon vote, unanimously carried the Board approved the agenda, as amended, and excused the absence of Director McNeill.

RECORD OF PROCEEDINGS

The Board discussed the requirements of Section 32-1-903(1), C.R.S., concerning the location of the District's Board meeting.

Upon a motion duly made by Director Harding, seconded by Director Lehman and, upon vote, unanimously carried, the Board determined that certain Board members and consultants of the District would attend this meeting in person at the above-referenced location. However, certain other Board members and consultants of the District would attend this meeting via video conference or teleconference. The Board further noted that the notice of the time, date, location, and video conference/teleconference information for the meeting was duly posted and that no objections to the means of hosting the meeting were received from taxpaying electors.

Public Comment: There was no public comment.

Master Service Agreement with CliftonLarsonAllen LLP and Related Statements of Work for Accounting and Management Services: Ms. Johnson presented the Master Service Agreement to the Board. Following review and discussion, upon a motion duly made by Director Lashnits, seconded by Director Lehman and, upon vote, unanimously carried, the Board approved the Master Service Agreement with CliftonLarsonAllen LLP for Accounting and Management Services and the related Statements of Work.

Resolution No. 2021-11-01 Establishing Regular Meeting Dates, Time and Location, and Designating Location for Posting of 24-Hour Notices: Ms. Johnson presented the Resolution to the Board. Following review and discussion, the Board approved to meet the second Fridays of June and November, 2022, at 8:30 a.m. to be held both virtually and physically at the office of Pure Cycle Corporation, 34501 E. Quincy Avenue, Building 34, Watkins, Colorado 80137. Upon a motion duly made by Director Harding, seconded by Director Knopinski and, upon vote, unanimously carried, the Board adopted Resolution No. 2021-11-01 Establishing Regular Meeting Dates, Time and Location, and Designating Location for Posting of 24-Hour Notices.

District Insurance and Special District Association ("SDA") Membership: Following discussion, the Board directed the staff of CliftonLarsonAllen LLP to renew the District's insurance and SDA membership for 2022.

- **Exclusion of Uncompensated Public Officials Form and Resolution No. 2021-11-02:** Upon a motion duly made by Director Lashnits, seconded by Director Lehman and, upon vote, unanimously carried, the Board approved the Exclusion of Uncompensated Public Officials form, adopted the associated Resolution No. 2021-11-02, and authorized its submittal.

Requirements of Section 32-1-809, C.R.S. (District Transparency Notice): The Board directed the staff at CliftonLarsonAllen LLP to prepare and post the Transparency Notice on the Special District Association website and the District's website.

RECORD OF PROCEEDINGS

CONSENT AGENDA

The Board considered the following items under the Consent Agenda:

- **Minutes from the August 13, 2021 Special Meeting**

Following review, upon a motion duly made by Director Knopinski, seconded by Director Harding and, upon vote, unanimously carried, the Board approved the items on the Consent Agenda.

FINANCIAL MATTERS

Public Hearing on Amendment to the 2021 Budget: Ms. Johnson opened the public hearing to consider an amendment to the 2021 Budget.

It was noted that publication of a Notice stating that the Board would consider amendment of the 2021 Budget and the date, time and place of the public hearing was made in a newspaper having general circulation within the District. No written objections were received prior to the public hearing.

No public comments were received, and the public hearing was closed.

Ms. Sutton presented the proposed amendment to the 2021 Budget. Following review and discussion, upon a motion duly made by Director Harding, seconded by Director Lashnits and, upon vote, unanimously carried, the Board adopted Resolution No. 2021-11-03 to Amend the 2021 Budget.

Public Hearing on 2022 Budget: Ms. Johnson opened the public hearings on the proposed 2022 Budget.

It was noted that Notice stating that the Board would consider adoption of the 2022 Budget and the date, time and place of the public hearing was published pursuant to statute. No written objections were received prior to the public hearing.

No public comments were received, and the public hearing was closed.

Ms. Sutton presented the proposed 2022 Budget to the Board. Following review and discussion, upon a motion duly made by Director Harding, seconded by Director Lehman and, upon vote, unanimously carried, the Board adopted Resolution No. 2021-11-04 to Adopt the 2022 Budget and Appropriate Sums of Money, and Resolution No. 2021-11-05 to Set Mill Levies (11.132 mills in the General Fund and 55.664 mills in the Debt Service Fund, for a total mill levy of 66.796 mills). Following discussion, upon vote unanimously carried, the Board adopted the Resolutions and authorized execution of Certification of Budget. The District Accountant was directed to transmit the Certification of Tax Levies to the Board of County Commissioners of Arapahoe County not later than December 15, 2021, and further directed to transmit the Certification of Budget to the Division of Local Government no later than January 31, 2022.

Resolution No. 2021-11-06 Authorizing Adjustment of the District Mill Levy in Accordance with the Service Plan: Attorney Meintzer presented the Resolution to the Board. Following review and discussion, upon a motion duly made by Director

RECORD OF PROCEEDINGS

Harding, seconded by Director Lashnits and, upon vote, unanimously carried, the Board adopted Resolution No. 2021-11-06 Authorizing Adjustment of the District Mill Levy in Accordance with the Service Plan.

Preparation of 2023 Budget: Upon a motion duly made by Director Harding, seconded by Director Lashnits and, upon vote, unanimously carried, the Board appointed the District Accountant to prepare the 2023 Budget.

Preparation of 2021 Audit: Following review and discussion, upon a motion duly made by Director Knopinski, seconded by Director Harding and, upon vote, unanimously carried, the Board approved the engagement of Haynie & Company to prepare the 2021 Audit.

DLG-70 Certification of Tax Levies: Upon a motion duly made by Director Harding, seconded by Director Knopinski and, upon vote, unanimously carried, the Board authorized the District Accountant to prepare the DLG-70 Certification of Tax Levies for certification to the Board of County Commissioners and other interested parties.

LEGAL MATTERS

May 3, 2022 Regular Director Election Regarding New Legislative Requirements and Related Expenses for Same: Attorney Meintzer presented the new legislative requirements and related expenses.

Resolution No. 2021-11-07 Calling May 3, 2022 Election for Directors: Following review and discussion, upon a motion duly made by Director Lashnits, seconded by Director Lehman and, upon vote, unanimously carried, the Board adopted Resolution No. 2021-11-07 Calling May 3, 2022 Election for Directors, Appointing Lisa Jacoby as the Designated Election Official (“DEO) and Authorizing the DEO to Perform All Tasks Required for the Conduct of a Mail Ballot Election.

OTHER BUSINESS

Quorum for June 10, 2022 Meeting: The Board confirmed a quorum for the June 10, 2022 meeting.

ADJOURNMENT

There being no further business to come before the Board at this time, following a motion duly made by Director Lehman, seconded by Director Harding and, upon vote, unanimously carried, the Board adjourned the meeting at 9:50 a.m.

Respectfully submitted,

By: _____
Secretary for the Meeting

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

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2021**

**SKY RANCH METROPOLITAN DISTRICT NO. 1
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YEAR ENDED DECEMBER 31, 2021**

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INSERT INDEPENDENT AUDITOR'S REPORT

(1)

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities
ASSETS	
Receivable - County Treasurer	\$ 2,155
Property Taxes Receivable	866,953
Total Assets	869,108
LIABILITIES	
Due to Sky Ranch CAB	2,155
Total Liabilities	2,155
DEFERRED INFLOWS OF RESOURCES	
Property Tax Revenue	866,953
Total Deferred Inflows of Resources	866,953
NET POSITION	
Total Net Position	\$ -

See accompanying Notes to Basic Financial Statements.

(1)

SKY RANCH METROPOLITAN DISTRICT NO. 1
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021

FUNCTIONS/PROGRAMS	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net Revenues (Expenses) and Change in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Primary Government:					
Governmental Activities:					
General Government	\$ 68,283	\$ -	\$ -	\$ -	\$ (68,283)
Interest and Related Costs on Long-Term Debt	<u>341,438</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(341,438)</u>
Total Governmental Activities	<u><u>\$ 409,721</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>(409,721)</u></u>
GENERAL REVENUES					
Property Taxes					383,219
Specific Ownership Taxes					26,412
Net Investment Income					<u>90</u>
Total General Revenues					<u><u>409,721</u></u>
CHANGE IN NET POSITION					
Net Position - Beginning of Year					<u>-</u>
NET POSITION - END OF YEAR					<u><u>\$ -</u></u>

See accompanying Notes to Basic Financial Statements.

(2)

SKY RANCH METROPOLITAN DISTRICT NO. 1
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2021

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
ASSETS			
Receivable - County Treasurer	\$ 359	\$ 1,796	\$ 2,155
Property Taxes Receivable	<u>144,483</u>	<u>722,470</u>	<u>866,953</u>
Total Assets	<u>\$ 144,842</u>	<u>\$ 724,266</u>	<u>\$ 869,108</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Due to Sky Ranch CAB	\$ 359	\$ 1,796	\$ 2,155
Total Liabilities	<u>359</u>	<u>1,796</u>	<u>2,155</u>
DEFERRED INFLOWS OF RESOURCES			
Property Tax Revenue	<u>144,483</u>	<u>722,470</u>	<u>866,953</u>
Total Deferred Inflows of Resources	<u>144,483</u>	<u>722,470</u>	<u>866,953</u>
FUND BALANCES			
Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 144,842</u>	<u>\$ 724,266</u>	<u>\$ 869,108</u>

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

See accompanying Notes to Basic Financial Statements.

(3)

DRAFT, NO ASSURANCE IS PROVIDED ON THESE FINANCIAL STATEMENTS.

SKY RANCH METROPOLITAN DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2021

	General	Debt Service	Total Governmental Funds
REVENUES			
Property Taxes	\$ 63,866	\$ 319,353	\$ 383,219
Specific Ownership Taxes	4,402	22,010	26,412
Net Investment Income	15	75	90
Total Revenues	<u>68,283</u>	<u>341,438</u>	<u>409,721</u>
EXPENDITURES			
County Treasurer's Fees	958	4,791	5,749
Transfer to Sky Ranch CAB	67,325	336,647	403,972
Total Expenditures	<u>68,283</u>	<u>341,438</u>	<u>409,721</u>
NET CHANGE IN FUND BALANCES	-	-	-
Fund Balances - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

See accompanying Notes to Basic Financial Statements.

**SKY RANCH METROPOLITAN DISTRICT NO. 1
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2021**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ 63,866	\$ 63,866	\$ 63,866	\$ -
Specific Ownership Taxes	4,471	4,400	4,402	2
Net Investment Income	-	15	15	-
Other Revenue	-	1,219	-	(1,219)
Total Revenues	68,337	69,500	68,283	(1,217)
EXPENDITURES				
County Treasurer's Fees	958	958	958	-
Transfer to Sky Ranch CAB	67,379	67,323	67,325	(2)
Contingency	-	1,219	-	1,219
Total Expenditures	68,337	69,500	68,283	1,217
NET CHANGE IN FUND BALANCE	-	-	-	-
Fund Balance - Beginning of Year	-	-	-	-
FUND BALANCE - END OF YEAR	\$ -	\$ -	\$ -	\$ -

See accompanying Notes to Basic Financial Statements.

(5)

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

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, 2021**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Government-Wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District. 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, 2021**

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.

The District has amended its annual budget for the year ended December 31, 2021.

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, 2021**

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, 2021**

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, 2021, 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, 2021, the District had no investments.

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

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, 2021

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, 2021

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, 2021, 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, 2021**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ 319,353	\$ 319,353	\$ 319,353	\$ -
Specific Ownership Taxes	22,355	22,000	22,010	10
Net Investment Income	-	77	75	(2)
Other Revenue	-	1,570	-	(1,570)
Total Revenues	<u>341,708</u>	<u>343,000</u>	<u>341,438</u>	<u>(1,562)</u>
EXPENDITURES				
County Treasurer's Fees	4,790	4,791	4,791	-
Transfer to Sky Ranch CAB	336,918	336,639	336,647	(8)
Contingency	-	1,570	-	1,570
Total Expenditures	<u>341,708</u>	<u>343,000</u>	<u>341,438</u>	<u>1,562</u>
NET CHANGE IN FUND BALANCE	-	-	-	-
Fund Balance - Beginning of Year	-	-	-	-
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<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, 2021

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Tax Levy	Mills Levied		Total Property Taxes		Percent Collected to Levied
		General	Debt Service	Levied	Collected	
2017	\$ -	-	-	\$ -	\$ -	N/A
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
Estimated for the Year Ending December 31, 2022	\$ 12,979,122	11.132	55.664	\$ 866,953		

**SKY RANCH METROPOLITAN DISTRICT NO. 1
SCHEDULE OF VALUATIONS OF PROPERTY CLASS
DECEMBER 31, 2021**

<u>Property Class</u>	<u>Total Assessed Valuation</u>	<u>Percent of Total Assessed Valuation</u>
Personal	\$ 72,754	0.56%
Vacant	3,791,587	29.21%
Residential	<u>9,114,781</u>	<u>70.23%</u>
Total	<u>\$ 12,979,122</u>	<u>100.00%</u>