Sorrel Ranch Metropolitan District

Annual Financial Report

December 31, 2022

Haynie & Company

HaynieCPAs.com

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Independent Auditor's Report

To the Board of Directors
Sorrel Ranch Metropolitan District
Arapahoe County, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Sorrel Ranch Metropolitan District (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 the District, as of December 31, 2022 and the respective changes in financial position and the budgetary comparison for the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our 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 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 the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

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.

Supplementary Information

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

Other Information

Management is responsible for the other information included in the report, as listed in the table of contents. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Haynie & Company

Littleton, Colorado

September 28, 2023

Basic Financial Statements

Sorrel Ranch Metropolitan District
Statement of Net Position (Deficit)
December 31, 2022

	Governmental Activities
Assets	
Cash and investments	$ 403,688
Cash and investments - restricted	221,980
Receivable - County Treasurer	5,349
Property taxes receivable	1,163,418
Prepaid expense	3,439
Total assets	$ 1,797,874
Liabilities	
Accounts payable	2,260
Payroll payable	94
Due to TOUSA	47,300
Accrued interest payable	39,135
Long-term liabilities:	
Due within one year	544,764
Due in more than one year	15,965,090
Total liabilities	$ 16,598,643
Deferred Inflows of Resources	
Property tax revenue	1,163,418
Total deferred inflows of resources	1,163,418
Net Position	
Restricted for:	
Emergency reserves	2,700
Unrestricted	(15,966,887)
Total Net Position (Deficit)	(15,964,187)
Total Liabilities, Deferred Inflows of Resources and Net Position (Deficit)	$ 1,797,874

The accompanying notes are an integral part of these financial statements.

Sorrel Ranch Metropolitan District
Statement of Activities
For the Year Ended December 31, 2022

Functions/Programs	Expenses	Program Revenues: Charges for Services and other fees	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Change in Net Position — Primary Government: Governmental Activities
Primary government:					
Governmental activities:					
General government	$ (89,352)	$ -	$ -	$ -	$ (89,352)
Interest and related costs on long term debt	(400,438)	-	-	-	(400,438)
	(489,790)	-	-	-	(489,790)
General revenues:					
Property taxes					1,139,906
Specific ownership taxes					72,430
Interest income					18,925
Total general revenues					1,231,261
Change in net position (deficit)					741,471
Net position (deficit) - beginning of year					(16,705,658)
Net position (deficit) - end of year					$ (15,964,187)

The accompanying notes are an integral part of these financial statements.

Sorrel Ranch Metropolitan District
Governmental Funds Balance Sheet
and Reconciliation of Fund Balances to Net Position (Deficit)
December 31, 2022

Assets	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
Cash and investments	$ 402,114	$ -	$ 1,574	$ 403,688
Cash and investments - restricted	-	221,980	-	221,980
Property taxes receivable	140,611	995,997	26,810	1,163,418
Receivable - County Treasurer	647	4,582	120	5,349
Prepaid expenses	3,439	-	-	3,439
Total assets	$ 546,811	$ 1,222,559	$ 28,504	$ 1,797,874
Liabilities				
Accounts payable	$ 2,260	$ -	$ -	$ 2,260
Payroll payable	94	-	-	94
Due to TOUSA	47,300	-	-	47,300
Total liabilities	49,654	-	-	49,654
Deferred Inflows of Resources				
Deferred property tax revenue	140,611	995,997	26,810	1,163,418
Total deferred inflows of resources	140,611	995,997	26,810	1,163,418
Fund Balances				
Nonspendable:				
Prepaid expense	3,439	-	-	3,439
Assigned:				
Capital Projects	-	-	1,694	1,694
Restricted:				
Emergency reserves	2,700	-	-	2,700
Debt service	-	226,562	-	226,562
Unassigned	350,407	-	-	350,407
Total Fund Balances	356,546	226,562	1,694	584,802
Total Liabilities, Fund Balances and Deferred Inflows of Resources	$ 546,811	$ 1,222,559	$ 28,504	$ 1,797,874

Total governmental fund balance per above	$ 584,802
Amounts reported for governmental activities in the statement of net assets excluded from the governmental fund balance because:	
Bonds not payable in the current year are excluded as liabilities in the governmental funds. Interest on bonds payable is recognized as an expenditure in governmental funds when due. These liabilities consist of:	
Bonds payable	(12,625,000)
Bond premium	(1,388,110)
Accrued interest on bonds	(39,135)
Developer advance payable	(1,290,861)
Accrued interest on developer advance	(1,205,883)
Net position (deficit) of governmental activities	$ (15,964,187)

The accompanying notes are an integral part of these financial statements.

Sorrel Ranch Metropolitan District

Governmental Fund Revenues, Expenditures and Changes in Fund Balances

For the Year Ended December 31, 2022

	General	Debt Service	Capital Projects	Total Governmental Funds
Revenues				
Property taxes	$ 137,858	$ 976,498	$ 25,550	$ 1,139,906
Specific ownership taxes	8,792	62,288	1,350	72,430
Interest income	6,106	12,436	383	18,925
Total General Revenues	152,756	1,051,222	27,283	1,231,261
Expenditures				
Current				
Accounting	12,242	-	-	12,242
Audit	7,000	-	-	7,000
County Treasurer's fees	2,070	14,662	384	17,116
Director's Fee	812	-	-	812
District Management	10,328	-	-	10,328
Election	1,368	-	-	1,368
Insurance and bonds	3,426	-	-	3,426
Legal	10,536	-	-	10,536
Miscellaneous	825	-	-	825
Payroll taxes	94	-	-	94
Paying agent/trustee fees	-	400	-	400
SARIA payment	-	-	25,205	25,205
Debt service				
Bond Principal payment	-	405,000	-	405,000
Bond interest	-	477,725	-	477,725
Total Expenditures	48,701	897,787	25,589	972,077
Excess of revenues over expenditures	104,055	153,435	1,694	259,184
Fund balances:				
Beginning of the year	252,491	73,127	-	325,618
End of the year	$ 356,546	$ 226,562	$ 1,694	$ 584,802

The accompanying notes are an integral part of these financial statements.

Sorrel Ranch Metropolitan District
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2022

Net change in fund balances—total governmental funds		$ 259,184
Amounts reported for governmental activities in the statement of activities are different because		
Long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds record the effect of premiums, discounts, and similar items when debt is first issued as expenditures, whereas these amounts are deferred and amortized in the statement of activities.		
Bond payment		405,000
Bond premium amortization		132,003
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Accrued interest on developer advances - change in liability	(55,391)	
Accrued interest on bonds - change in liability	675	(54,716)
Change in net position of governmental activities		$ 741,471

The accompanying notes are an integral part of these financial statements.

Sorrel Ranch Metropolitan District

Statement of Revenues, Expenditures and Changes in Fund Balance—Actual and Budget Governmental Fund Type—General Fund For the Year Ended December 31, 2022

	Original & Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property taxes	$ 138,737	$ 137,858	$ (879)
Specific ownership taxes	9,712	8,792	(920)
Interest income	4,000	6,106	2,106
Administration fee	15,000	-	(15,000)
Total Revenues	167,449	152,756	(14,693)
Expenditures			
Accounting	12,000	12,242	$ (242)
Audit	7,000	7,000	-
County Treasurer's fees	2,081	2,070	11
Director's fees	1,600	812	788
District management	12,000	10,328	1,672
Payroll taxes	122	94	28
Dues and membership	350	-	350
Election	1,254	1,368	(114)
Insurance and bonds	3,426	3,426	-
Legal services	22,000	10,536	11,464
Miscellaneous	500	825	(325)
Total Expenditures	62,333	48,701	13,632
Net change in fund balances	105,116	104,055	(1,061)
Fund Balance—Beginning of year	252,490	252,491	1
Fund Balance—End of Year	$ 357,606	$ 356,546	$ (1,060)

The accompanying notes are an integral part of these financial statements.

Sorrel Ranch Metropolitan District
Notes to Financial Statements
December 31, 2022

1. Definition of Reporting Entity

Sorrel Ranch Metropolitan District (the District), a quasi-municipal corporation and political subdivision of the state of Colorado, located entirely in the City of Aurora, Arapahoe County, Colorado, was organized on December 31, 2002, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District was established to provide for the design, construction, acquisition, and financing of certain public improvements including street, safety protection, water, sanitation, storm drainage, mosquito control, and park and recreation facilities and improvements. The District operates pursuant to an Amended and Restated Service Plan, as approved on August 30, 2004, and modified on August 14, 2006 by the City Council of the City of Aurora (the "Service Plan").

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

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

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

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 (deficit) and the statement of activities. These financial statements include all of the activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by property taxes.

The statement of net position (deficit) 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 of the District is reported as net position (deficit).

2. Summary of Significant Accounting Policies (continued)

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

Separate financial statements are provided for the governmental funds. Major individual governmental funds are reported as separate columns in the 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. All other revenue items are considered to be measurable and available only when cash is received by the District. The District determined that Developer advances are not considered as revenue susceptible to accrual. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is due.

The District reports the following major governmental funds:

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

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

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

2. Summary of Significant Accounting Policies (continued)

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

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 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 presented on the modified accrual basis of accounting unless otherwise indicated.

Pooled Cash and Investments

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

Property Taxes

Property taxes are levied by the District 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 for the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or, if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August, and generally sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

2. Summary of Significant Accounting Policies (continued)

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

Deferred Inflows of Resources

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

Amortization

Original Issue Premium

In the government-wide financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

Fund Equity

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.

2. Summary of Significant Accounting Policies (continued)

- *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. 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 policy to use the most restrictive classification first.

3. Cash and Investments

Cash and investments as of December 31, 2022 are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and investments	$ 403,688
Cash and investments - restricted	221,980
Total cash and investments	$ 625,668

Cash and investments as of December 31, 2022 consist of the following:

Deposits with financial institutions	$ 6,294
Investments	619,374
Total cash and investments	$ 625,668

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 equal to 102% of the aggregate uninsured deposits.

3. Cash and Investments (continued)

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.

As of December 31, 2022, the District's cash deposits had a carrying balance of $6,294 and bank balance of $6,387.

Investments

The District's formal investment policy is to follow state statutes regarding investments.

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

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

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

- obligations of the United States and certain U.S. government agency securities,
- certain international agency securities,
- general obligation and revenue bonds of U.S. local government entities,
- bankers' acceptances of certain banks,
- commercial paper,
- written repurchase agreements collateralized by certain authorized securities,
- certain money market funds,
- guaranteed investment contracts, and

* local government investment pools.

As of December 31, 2022, the District had the following investments:

Investment	Maturity	Amount
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted-Average Under 60 Days	$ 619,374

3. Cash and Investments (continued)

CSAFE

The District invested in the Colorado Surplus Asset Fund Trust (CSAFE) (the Trust), which is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all state statutes governing the Trust. The Trust is similar to a money market fund, with each share valued at \$1.00. CSAFE may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain money market funds, and highest rated commercial paper. A designated custodial bank serves as custodian for CSAFE's portfolio pursuant to a custodian agreement. The custodian acts as safekeeping agent for CSAFE's investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by CSAFE. CSAFE is rated AAAm by Standard & Poor's. CSAFE records its investments at amortized cost and the District records its investments in CSAFE at net asset value as determined by amortized cost. There are no unfunded commitments, the redemption frequency is daily, and there is no redemption notice period.

4. Long-Term Obligations

The following is an analysis of changes in the District's long-term debt for the year ended December 31, 2022:

	Balance December 31, 2021	Additions	Reductions	Balance December 31, 2022	Due Within One year
Bonded debt obligations:					
G.O. Limited Tax Bonds:					
Series 2020	$ 13,030,000	$ -	$ 405,000	$ 12,625,000	$ 415,000
Bond premium	1,520,113	-	132,003	1,388,110	129,764
Total bonded debt	14,550,113	-	537,003	14,013,110	544,764
Other obligations					
Developer Advances:					
Operating	289,574	-	-	289,574	-
Capital	1,001,287	-	-	1,001,287	-
Accrued Interest on Developer Advances:					
Operating	259,104	12,426	-	271,530	-
Capital	891,388	42,965	-	934,353	-
Total other obligations	2,441,353	55,391	-	2,496,744	-
Total long-term debt	$ 16,991,466	$ 55,391	$ 537,003	$ 16,509,854	$ 544,764

4. Long-Term Obligations (continued)

Limited Tax General Obligation Refunding Bonds, Series 2020 On October 8, 2020, the District issued its Limited Tax General Obligation Refunding Bonds, Series 2020 (the Series 2020 Bonds) for the purpose of paying the costs to refund the Senior 2006 Bonds and the Subordinate 2006 Bonds, purchasing the Insurance Policy and the Reserve Fund Insurance Policy (as such terms are defined below), and paying the costs of issuance of the Series 2020 Bonds.

The Series 2020 Bonds are secured and payable from the Pledged Revenue consisting of the moneys derived from the following sources, net of any costs of collection: (i) the Required Mill Levy; (ii) the portion of the Specific Ownership Tax which is collected as a result of the imposition of the Required Mill Levy; and (iii) any other legally available moneys which the Board determines to credit to the Bond Fund. The District has covenanted to impose the Required Mill Levy on all taxable property of the District (but not beyond the Maximum Debt Mill Levy Imposition Term to the extent required by the Service Plan), in an amount sufficient to pay the principal of, premium if any, and interest on the Series 2020 Bonds as they become due and payable, and to replenish the Reserve Fund in the amount of the Reserve Fund Requirement (as discussed below), but not in excess of 50.000 mills, as adjusted.

The scheduled payment of principal of and interest on the Series 2020 Bonds when due are guaranteed under an insurance policy issued concurrently with the delivery of the Series 2020 Bonds by Assured Guaranty Municipal Corp (the Insurance Policy). The Series 2020 Bonds are also secured by amounts on deposit in the Reserve Fund which is funded by a Municipal Bond Debt Service Reserve Insurance Policy (the “Reserve Fund Insurance Policy”) in the amount of the Reserve Fund Requirement. The Reserve Fund Requirement is the lesser of (i) 10% of the proceeds of the Series 2020 Bonds, (ii) the maximum annual principal and interest payable with respect to the Series 2020 Bonds, or (iii) 125% of the average annual principal and interest payable with respect to the Series 2020 Bonds.

The Series 2020 Bonds were issued as serial bonds and term bonds bearing interest at 2.00% to 5.00%, payable semiannually on June 1 and December 1, beginning on December 1, 2020. Annual mandatory sinking fund principal payments are due on December 1, beginning on December 1, 2021. The serial bonds maturing on and after December 1, 2031 are subject to redemption prior to maturity, at the option of the District, as a whole or in multiples of $5,000, on December 1, 2030, with no redemption premium.

The occurrence or existence of any one or more of the following events shall be an Event of Default under the Bond Resolution: (a) The District fails or refuses to impose the Required Mill Levy or to apply the Pledged Revenue as required by the Bond Resolution; (b) The District defaults in the performance or observance of any other of the covenants, agreements, or conditions on the part of the District in the Bond Resolution, and fails to remedy the same within thirty (30) days after notice thereof; or (c) The District files a petition under the federal

4. Long-Term Obligations (continued)

bankruptcy laws or other applicable bankruptcy laws seeking to adjust the obligation represented by the Bonds. Due to the limited nature of the Pledged Revenue, the Bond Resolution acknowledges that the failure to pay the principal of or interest on the Series 2020 Bonds when due does not, in and of itself, constitute an Event of Default under the Bond Resolution.

So long as the Insurance Policy is in effect and the Bond Insurer is not in default thereunder, upon the occurrence and continuance of a default or an event of default, the Bond Insurer shall be deemed to be the sole owner of the Bonds for all purposes and shall be entitled to control and direct the enforcement of all rights and remedies granted to the holders of the Bonds or the Trustee for the benefit of the Bondholders. In addition, the Bondholder may proceed to protect and enforce its rights under the Bond Resolution by mandamus or such other suit, action, or special proceedings in equity or at law, in any court of competent jurisdiction; provided, however, that acceleration shall not be an available remedy.

The District's long-term obligations relating to the Series 2020 Bonds will mature as follows:

Year Ending December 31,	Principal	Interest	Total
2023	$ 415,000	$ 469,625	$ 884,625
2024	420,000	461,325	881,325
2025	445,000	440,325	885,325
2026	465,000	418,075	883,075
2027	490,000	394,825	884,825
2028-2032	2,825,000	1,588,325	4,413,325
2033-2037	3,470,000	939,275	4,409,275
2038-2042	4,095,000	311,875	4,406,875
Total	$ 12,625,000	$ 5,023,650	$ 17,648,650

Authorized Debt

On November 5, 2002, a majority of the qualified electors of the District who voted in the election authorized the issuance of indebtedness in an amount not to exceed $34,644,000 at an interest rate not to exceed 18% per annum. In the November 2, 2004 election, a majority of the qualified electors of the District voted for a phased tax increase up to $35,000,000 and to authorize the District to enter into one or more multiple fiscal year obligations evidenced by an intergovernmental agreement for the provisions of regional improvements.

4. Long-Term Obligations (continued)

At December 31, 2022, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

	Authorized November 5, 2002 Election	Authorization Used	Remaining at December 31, 2022
Streets	$ 5,161,000	$ 4,655,870	$ 505,130
Safety Protection	711,000	708,972	2,028
Park and Recreation	6,278,000	4,413,783	1,864,217
Water	619,000	534,611	84,389
Sanitation	4,453,000	4,096,764	356,236
Operations	200,000	-	200,000
Refunding	17,222,000	13,425,000	3,797,000
Total	$ 34,644,000	$ 27,835,000	$ 6,809,000

Pursuant to the Service Plan, the District is permitted to issue bond indebtedness of up to $35,000,000.

In the future, the District may issue a portion or all of the remaining authorized but unissued general obligation debt for purposes of providing public improvements to support development as it occurs within the District's service area; however, as of the date of this audit, the amount and timing of any debt issuances is not determinable.

Operation Funding Agreements

The District entered into various Operation Funding Agreements with Engle Homes Colorado, a division of TOUSA Homes, Inc. (the Developer), whereby the Developer agreed to fund any shortfall in operating costs from 2003 to 2007. In accordance with the Operation Funding Agreements, payments made to repay these operating advances are subject to annual budget and appropriation with interest rates at 3% above the 20-year AAA Municipal Market Data rate. The interest rate is set each January 1 for the upcoming year. The interest rate for 2022 was 4.291%. The term of the Agreement extends until December 31, 2027 unless terminated earlier by mutual agreement of the parties. The balance owed to the Developer pursuant to the Operation Funding Agreements was $289,574 for principal and $271,530 for accrued interest as of December 31, 2022. All budgeted repayments shall be made on December 1st of each year.

Facilities Funding and Acquisition Agreement

Effective January 1, 2007, the District entered into the Facilities Funding and Acquisition Agreement - 2007 (2007 FFAA) with the Developer, whereby the Developer agreed to design and construct public improvements within the District. The District agreed to purchase these improvements from the Developer for the costs incurred to construct them. The 2007 FFAA

4. Long-Term Obligations (continued)

is subject to annual budget and appropriation with interest rates at 3% above the 20-year AAA Municipal Market Data rate. The interest rate is set each January 1 for the upcoming year. The interest rate for 2022 was 4.291%. This is to be paid to the Developer for the acquisition of these improvements. The balance owed to the Developer for advances as of December 31, 2022, was $1,001,287 for principal and $934,353 for accrued interest. No payment is required under the 2007 FFAA unless and until such time the District issues bonds for this purpose and in an amount sufficient to acquire a part or all of such improvements, or to reimburse Developer for part or all of the Developer advances.

5. Net Position (Deficit)

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

The restricted net position includes assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. As of December 31, 2022, the District had a restricted net position as follows:

	Governmental Activities
Emergency reserves	$ 2,700

The District has a deficit in unrestricted net position. This deficit amount is a result of the District being responsible for the repayment of bonds issued for public improvements which were conveyed to other entities and which costs were removed from the District's financial records.

6. Agreements

Intergovernmental Agreement with the City of Aurora

In November 2004, the District entered into the Amended and Restated Intergovernmental Agreement (IGA) between the City of Aurora (the City) and the District (the Amended City IGA). The Amended City IGA completely replaces the original Intergovernmental Agreement entered into by the District and the City on October 10, 2003. The IGA defines and clarifies the services which the District may provide, as well as those services which the District is prohibited from providing. Pursuant to the Service Plan, the District is required to impose the Aurora Regional Improvement (ARI) Mill Levy upon the District's residents. This mill levy is 1.000 mill for 20 years, which for this purpose begins the first year that the District certifies

6. Agreements (continued)

a debt service mill levy. The levy increases to 5.000 mills for years 21 through 40 or the date of repayment of the debt incurred for public improvements, other than regional improvements, whichever occurs first. For the 10 years subsequent to the period where the 5.000 mills is imposed, the ARI mill levy is the average of the debt service mill levy for the previous 10 years.

Aurora Regional Transportation Authority

In 2006, the District, along with other metropolitan districts within the City, entered into the Aurora Regional Transportation Authority (ARTA) Establishment Agreement (ARTA Agreement). The ARTA Agreement was amended on August 14, 2007, February 20, 2008, July 21, 2008, and June 11, 2009, to add additional metropolitan district members. ARTA will plan, design, acquire, construct, relocate, redevelop, and finance regional improvements within the boundaries of the metropolitan districts which are a party to the ARTA Agreement using the ARI revenue from each of the districts. In accordance with the IGA, the City has the right to appoint no less than 30% and no more than 49% of the ARTA Board. On August 1, 2017, the District resigned from ARTA, in order to join the South Aurora Regional Improvement Authority.

South Aurora Regional Improvement Authority

On December 8, 2017, the District along with other metropolitan districts within Aurora, entered into the South Aurora Regional Improvement Authority (SARIA) Establishment Agreement (SARIA Agreement) with the City. SARIA was formed to provide functions and services necessary to acquire, construct, finance, maintain, and manage certain regional improvements that are identified and agreed upon by the City and the member districts.

The SARIA Agreement provides that SARIA may adopt an ARI master plan, pursuant to the Code and Service Plans of the districts. SARIA will prioritize and support the completion of the regional improvements as identified in the ARI Master Plan. In order to fund these projects, SARIA may issue revenue bonds or other multi-fiscal year financial obligations, subject to its sole discretion, secured by the pledged revenues of the ARI Mill Levies by each of the districts and other funds legally available to SARIA.

On October 2, 2018, the SARIA Agreement was amended by the First Amendment to the South Aurora Regional Improvement Authority Establishment Agreement (First Amendment) in conjunction with the issuance of SARIA's Special Revenue Bonds, Series 2018 (SARIA Bonds). SARIA issued its SARIA Bonds in the amount of $11,265,000 on December 19, 2018. The District is obligated to pledge its ARI Mill Levy Revenues to the repayment of the SARIA Bonds pursuant to the terms of the SARIA Agreement and the First Amendment.

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.

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.

On November 5, 2002, the District's voters passed an election question to increase property taxes $200,000, annually, without limitation of rate, to pay the District's operational and maintenance costs.

8. Tax, Spending and Debt Limitations (continued)

On November 2, 2004, a majority of the qualified electors of the District voted for a phased tax increase up to $35,000,000.

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

Sorrel Ranch Metropolitan District
Schedule of Revenues, Expenditures and Changes in Fund Balance—Actual and Budget
Governmental Fund Type—Debt Service Fund
For the Year Ended December 31, 2022

	Original & Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Property taxes	$ 982,725	$ 976,498	$ (6,227)
Specific ownership taxes	68,791	62,288	(6,503)
Interest income	4,000	12,436	8,436
Total Revenues	1,055,516	1,051,222	(4,294)
Expenditures:			
County Treasurer's Fees	14,741	14,662	79
Bond interest - Series 2020	477,725	477,725	-
Bond principal - Series 2020	405,000	405,000	-
Paying agent/trustee fees	2,500	400	2,100
Total Expenditures	899,966	897,787	2,179
Excess Revenue Over Expenditures	155,550	153,435	(2,115)
Net change in fund balances	155,550	153,435	(2,115)
Fund Balance—Beginning of year	73,128	73,127	(1)
Fund Balance—End of Year	$ 228,678	$ 226,562	$ (2,116)

Sorrel Ranch Metropolitan District
Schedule of Revenues, Expenditures and Changes in Fund Balance—Actual and Budget Governmental Fund Type—Capital Projects Fund For the Year Ended December 31, 2022

	Original & Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
ARI revenues from property taxes	$ 25,713	$ 25,550	$ (163)
Specific Ownership Tax	1,000	1,350	350
Interest Income	100	383	283
Total Revenues	26,813	27,283	470
Expenditures:			
County treasurer's fees	386	384	2
SARIA payment	25,327	25,205	122
Total Expenditures	25,713	25,589	124
Net change in fund balances	1,100	1,694	594
Fund Balance—Beginning of year	-	-	-
Fund Balance—End of Year	$ 1,100	$ 1,694	$ 594

Other Information

Sorrel Ranch Metropolitan District
Schedule of Debt Service Requirements to Maturity
For the Year Ended December 31, 2022

	$13,425,000 Limited Tax General Obligation Refunding Bonds Dated October 8, 2020 Interest Rate 2.00% to 5.00% Principal Payable December 1 Interest Payable June 1 and December 1		
	Principal	Interest	Total
Year Ended December 31,			
2023	415,000	469,625	884,625
2024	420,000	461,325	881,325
2025	445,000	440,325	885,325
2026	465,000	418,075	883,075
2027	490,000	394,825	884,825
2028	510,000	370,325	880,325
2029	540,000	344,825	884,825
2030	565,000	317,825	882,825
2031	595,000	289,575	884,575
2032	615,000	265,775	880,775
2033	640,000	241,175	881,175
2034	665,000	215,575	880,575
2035	695,000	188,975	883,975
2036	720,000	161,175	881,175
2037	750,000	132,375	882,375
2038	780,000	102,375	882,375
2039	800,000	82,875	882,875
2040	820,000	62,875	882,875
2041	840,000	42,375	882,375
2042	855,000	21,375	876,375
	$12,625,000	$ 5,023,650	$ 17,648,650

Sorrel Ranch Metropolitan District
Summary of Assessed Valuation, Mill Levy and Property Taxes Collected
December 31, 2022

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied for			Total Property Taxes		Percent Collected to Levied
		General	Debt Service	ARI	Levied	Collected	
2017	$ 14,095,777	6.000	50.000	1.000	$ 803,459	$ 803,460	100.00%
2018	$ 15,455,005	6.000	55.277	1.105	$ 964,114	$ 964,114	100.00%
2019	$ 15,502,230	6.000	55.277	1.105	$ 967,060	$ 967,060	100.00%
2020	$ 19,430,691	6.000	55.663	1.112	$1,219,762	$ 1,219,737	100.00%
2021	$ 20,240,887	6.000	42.500	1.112	$1,004,191	$ 1,004,209	100.00%
2022	$ 23,122,940	6.000	42.500	1.112	$1,147,175	$ 1,139,906	99.37%
Estimated for the year ending 12/31/2023	$ 23,435,223	6.000	42.500	1.144	$1,163,418		

Note:

Property taxes collected in any one year include collection of delinquent property taxes levied in prior years. Information received from the county treasurer does not permit identification of specific year or levy.

Sorrel Ranch Metropolitan District
Continuing Disclosures
of Annual Financial Information
December 31, 2022

History of District's Assessed Valuation and Mill Levies

Levy/Collection Year	Assessed Valuation	Percent Change	Mills Levied for General	Mills Levied for Debt Service	Mills Levied for ARI	Total Levy
2016/2017	$ 14,095,777	0.19%	6.000	50.000	1.000	57.000
2017/2018	15,455,005	8.79%	6.000	55.277	1.105	62.382
2018/2019	15,502,230	0.30%	6.000	55.277	1.105	62.382
2019/2020	19,430,691	20.22%	6.000	55.663	1.112	62.775
2020/2021	20,240,887	4.00%	6.000	42.500	1.112	49.612
2021/2022	23,122,940	12.46%	6.000	42.500	1.112	49.612
Estimated for the year ending 12/31/2023	$ 23,435,223		6.000	42.500	1.144	49.644

Property Tax Collections from the District

Levy/Collection Year	Taxes Levied	Current Tax Collections	Percent of Levy Collected
2016/2017	$ 803,460	$ 803,460	100.00%
2017/2018	964,114	964,114	100.00%
2018/2019	967,060	967,060	100.00%
2019/2020	1,219,762	1,219,737	100.00%
2020/2021	1,004,191	1,004,209	100.00%
2021/2022	1,147,175	1,139,906	99.37%
2022/2023	1,163,418		

Note:

Property taxes collected in any one year include collection of delinquent property taxes levied in prior years. Information received from the county treasurer does not permit identification of specific year or levy.

Ten Largest Taxpayers in the District for 2022

Taxpayer Name	Assessed Valuation	Percentage of Total Assessed Valuation
Public SVC CO	$ 534,250	2.31%
Private Homeowner #1	50,068	0.22%
Private Homeowner #2	49,664	0.21%
Private Homeowner #3	47,739	0.21%
Private Homeowner #4	47,614	0.21%
Private Homeowner #5	47,420	0.21%
Private Homeowner #6	47,149	0.20%
Private Homeowner #7	47,100	0.20%
Private Homeowner #8	47,065	0.20%
Private Homeowner #9	46,787	0.20%
	$ 964,856	