

SORREL RANCH METROPOLITAN DISTRICT
ANNUAL BUDGET
FOR THE YEAR ENDING DECEMBER 31, 2021

**SORREL RANCH METROPOLITAN DISTRICT
SUMMARY
2021 BUDGET
WITH 2019 ACTUAL AND 2020 ESTIMATED
For the Years Ended and Ending December 31,**

1/15/21

| | ACTUAL 2019 | ESTIMATED 2020 | BUDGET 2021 |
|---|-------------------|-------------------|-------------------|
| BEGINNING FUND BALANCES | \$ 144,623 | \$ 131,957 | \$ 211,918 |
| REVENUES | | | |
| Property taxes | 949,930 | 1,198,155 | 981,683 |
| Specific ownership taxes | 75,816 | 86,400 | 68,700 |
| Administration fee | 4,000 | 1,500 | 1,500 |
| Interest income | 11,590 | 2,700 | 1,500 |
| Property taxes - SARIA | 17,130 | 21,607 | 22,508 |
| Reimbursed expenditures | 8,253 | - | - |
| Bond proceeds | - | 13,425,000 | - |
| Bond premium | - | 1,674,053 | - |
| Total revenues | <u>1,066,719</u> | <u>16,409,415</u> | <u>1,075,891</u> |
| TRANSFERS IN | <u>72,000</u> | <u>-</u> | <u>-</u> |
| Total funds available | <u>1,283,342</u> | <u>16,541,372</u> | <u>1,287,809</u> |
| EXPENDITURES | | | |
| General Fund | 52,862 | 74,972 | 75,000 |
| Debt Service Fund | 1,009,393 | 16,232,875 | 903,000 |
| Capital Projects Fund | 17,130 | 21,607 | 22,508 |
| Total expenditures | <u>1,079,385</u> | <u>16,329,454</u> | <u>1,000,508</u> |
| TRANSFERS OUT | <u>72,000</u> | <u>-</u> | <u>-</u> |
| Total expenditures and transfers out requiring appropriation | <u>1,151,385</u> | <u>16,329,454</u> | <u>1,000,508</u> |
| ENDING FUND BALANCES | <u>\$ 131,957</u> | <u>\$ 211,918</u> | <u>\$ 287,301</u> |
| EMERGENCY RESERVE | <u>\$ 3,300</u> | <u>\$ 3,900</u> | <u>\$ 4,000</u> |
| TOTAL RESERVE | <u>\$ 3,300</u> | <u>\$ 3,900</u> | <u>\$ 4,000</u> |

No assurance provided. See summary of significant assumptions.

**SORREL RANCH METROPOLITAN DISTRICT
PROPERTY TAX SUMMARY INFORMATION
2021 BUDGET
WITH 2019 ACTUAL AND 2020 ESTIMATED
For the Years Ended and Ending December 31,**

1/15/21

| | ACTUAL 2019 | ESTIMATED 2020 | BUDGET 2021 |
|--------------------------------|--------------------------|----------------------------|----------------------------|
| ASSESSED VALUATION | | | |
| Residential | \$ 14,328,880 | \$ 16,424,302 | \$ 17,393,176 |
| Commercial | 1,166 | 44,601 | 45,660 |
| State assessed | 329,400 | 150,240 | 441,160 |
| Vacant land | 842,784 | 2,811,548 | 2,360,891 |
| Certified Assessed Value | <u>\$ 15,502,230</u> | <u>\$ 19,430,691</u> | <u>\$ 20,240,887</u> |
| MILL LEVY | | | |
| General | 6.000 | 6.000 | 6.000 |
| Debt Service | 55.277 | 55.663 | 42.500 |
| SARIA | 1.105 | 1.112 | 1.112 |
| Total mill levy | <u>62.382</u> | <u>62.775</u> | <u>49.612</u> |
| PROPERTY TAXES | | | |
| General | \$ 93,013 | \$ 116,584 | \$ 121,445 |
| Debt Service | 856,917 | 1,081,571 | 860,238 |
| SARIA | 17,130 | 21,607 | 22,508 |
| Levied property taxes | <u>967,060</u> | <u>1,219,762</u> | <u>1,004,191</u> |
| Adjustments to actual/rounding | - | - | - |
| Refunds and abatements | - | - | - |
| Budgeted property taxes | <u>\$ 967,060</u> | <u>\$ 1,219,762</u> | <u>\$ 1,004,191</u> |
| BUDGETED PROPERTY TAXES | | | |
| General | \$ 93,019 | \$ 116,584 | \$ 121,445 |
| Debt Service | 856,963 | 1,081,571 | 860,238 |
| SARIA | 17,131 | 21,607 | 22,508 |
| | <u>\$ 967,113</u> | <u>\$ 1,219,762</u> | <u>\$ 1,004,191</u> |

No assurance provided. See summary of significant assumptions.

**SORREL RANCH METROPOLITAN DISTRICT
GENERAL FUND
2021 BUDGET
WITH 2019 ACTUAL AND 2020 ESTIMATED
For the Years Ended and Ending December 31,**

1/15/21

| | ACTUAL 2019 | ESTIMATED 2020 | BUDGET 2021 |
|---|-------------------|-------------------|-------------------|
| BEGINNING FUND BALANCE | \$ 126,490 | \$ 118,399 | \$ 171,111 |
| REVENUES | | | |
| Property taxes | 93,013 | 116,584 | 121,445 |
| Specific ownership taxes | 7,425 | 8,400 | 8,500 |
| Interest income | 4,080 | 1,200 | 1,000 |
| Administration Fee | 4,000 | 1,500 | 1,500 |
| Reimbursed expenditures | 8,253 | - | - |
| Total revenues | <u>116,771</u> | <u>127,684</u> | <u>132,445</u> |
| Total funds available | <u>243,261</u> | <u>246,083</u> | <u>303,556</u> |
| EXPENDITURES | | | |
| General and administrative | | | |
| Accounting | 19,091 | 22,000 | 22,000 |
| Audit | 3,500 | 3,500 | 3,750 |
| County Treasurer's fee | 1,396 | 1,749 | 1,822 |
| Directors' fees | 1,100 | 2,100 | 1,600 |
| Dues and membership | 421 | 320 | 450 |
| Election | - | 893 | - |
| Insurance and bonds | 3,347 | 2,910 | 3,300 |
| District management | 13,308 | 18,000 | 18,000 |
| Legal | 10,452 | 23,000 | 20,000 |
| Miscellaneous | 247 | 500 | 500 |
| Contingency | - | - | 3,578 |
| Total expenditures | <u>52,862</u> | <u>74,972</u> | <u>75,000</u> |
| TRANSFERS OUT | | | |
| Transfers to other fund | <u>72,000</u> | <u>-</u> | <u>-</u> |
| Total expenditures and transfers out requiring appropriation | <u>124,862</u> | <u>74,972</u> | <u>75,000</u> |
| ENDING FUND BALANCE | <u>\$ 118,399</u> | <u>\$ 171,111</u> | <u>\$ 228,556</u> |
| EMERGENCY RESERVE | <u>\$ 3,300</u> | <u>\$ 3,900</u> | <u>\$ 4,000</u> |
| TOTAL RESERVE | <u>\$ 3,300</u> | <u>\$ 3,900</u> | <u>\$ 4,000</u> |

No assurance provided. See summary of significant assumptions.

**SORREL RANCH METROPOLITAN DISTRICT
DEBT SERVICE FUND
2021 BUDGET
WITH 2019 ACTUAL AND 2020 ESTIMATED
For the Years Ended and Ending December 31,**

1/15/21

| | ACTUAL 2019 | ESTIMATED 2020 | BUDGET 2021 |
|---|----------------|-------------------|----------------|
| BEGINNING FUND BALANCE | \$ 18,133 | \$ 13,558 | \$ 40,807 |
| REVENUES | | | |
| Property taxes | 856,917 | 1,081,571 | 860,238 |
| Specific ownership taxes | 68,391 | 78,000 | 60,200 |
| Interest income | 7,510 | 1,500 | 500 |
| Bond proceeds | - | 13,425,000 | - |
| Bond premium | - | 1,674,053 | - |
| Total revenues | 932,818 | 16,260,124 | 920,938 |
| TRANSFERS IN | | | |
| Transfers from other funds | 72,000 | - | - |
| Total funds available | 1,022,951 | 16,273,682 | 961,745 |
| EXPENDITURES | | | |
| General and administrative | | | |
| County Treasurer's fee | 12,855 | 16,224 | 12,904 |
| Paying agent fees | 2,500 | 2,500 | 2,500 |
| Contingency | - | - | 6,971 |
| Debt Service | | | |
| Bond interest - Series 2006 Senior Bonds | 604,038 | 290,806 | - |
| Bond interest - Series 2020 Bonds | - | 71,495 | 485,625 |
| Bond principal - Series 2006 Senior Bonds | 390,000 | - | - |
| Bond principal - Series 2020 Bonds | - | - | 395,000 |
| Bond issue costs | - | 490,000 | - |
| Refunding payment | - | 15,361,850 | - |
| Total expenditures | 1,009,393 | 16,232,875 | 903,000 |
| Total expenditures and transfers out requiring appropriation | 1,009,393 | 16,232,875 | 903,000 |
| ENDING FUND BALANCE | \$ 13,558 | \$ 40,807 | \$ 58,745 |

No assurance provided. See summary of significant assumptions.

**SORREL RANCH METROPOLITAN DISTRICT
CAPITAL PROJECTS FUND
2021 BUDGET
WITH 2019 ACTUAL AND 2020 ESTIMATED
For the Years Ended and Ending December 31,**

1/15/21

| | ACTUAL 2019 | ESTIMATED 2020 | BUDGET 2021 |
|---|----------------|-------------------|----------------|
| BEGINNING FUND BALANCE | \$ - | \$ - | \$ - |
| REVENUES | | | |
| Property taxes - SARIA | 17,130 | 21,607 | 22,508 |
| Total revenues | <u>17,130</u> | <u>21,607</u> | <u>22,508</u> |
| Total funds available | <u>17,130</u> | <u>21,607</u> | <u>22,508</u> |
| EXPENDITURES | | | |
| General and Administrative | | | |
| County Treasurer's fee | 257 | 324 | 338 |
| SARIA payment | 16,873 | 21,283 | 22,170 |
| Total expenditures | <u>17,130</u> | <u>21,607</u> | <u>22,508</u> |
| Total expenditures and transfers out requiring appropriation | <u>17,130</u> | <u>21,607</u> | <u>22,508</u> |
| ENDING FUND BALANCE | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

No assurance provided. See summary of significant assumptions.

**SORREL RANCH METROPOLITAN DISTRICT
2021 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Services Provided

The District, a quasi-municipal corporation and political subdivision of the State of Colorado, was organized by the order and decree of the District Court for the City of Aurora on November 18, 2002, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District operates under the Amended and Restated Service Plan as approved by the City of Aurora on August 30, 2004. The District's service area is located entirely in Arapahoe County, Colorado in the City of Aurora.

The District was established to provide financing for the design, acquisition, construction, installation and operation and maintenance of public improvements including streets and safety protection, water, sanitary sewer and storm drainage, park and recreation and mosquito control.

The District held its formation election on November 5, 2002. The electorate authorized general obligation debt of \$17,422,000 and refunding debt of \$17,222,000. The election also allows the District to retain all revenues other than ad valorem taxes without regard to the limitations contained in Article X, Section 20 of the Colorado constitution or any other law and a \$200,000 annual property tax increase for operations.

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

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

Revenues

Property Taxes

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

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

The change in assessment ratio from 7.96% to 7.15% allows the District to adjust its mill levy to offset the decrease in revenues. The District has elected to not impose an adjusted mill levy for operations. Such adjusted mill levy would be 6.679. The district has also elected to not impose the maximum adjusted mill levy for debt service of 55.663.

**SORREL RANCH METROPOLITAN DISTRICT
2021 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Revenues (continued)

Specific Ownership Taxes

Specific ownership taxes are set by the State and collected by the County Treasurer, primarily on vehicle licensing within the County as a whole. The specific ownership taxes are allocated by the County Treasurer to all taxing entities within the County. The budget assumes that the District's share will be equal to approximately 7% of the property taxes collected by both the General Fund and the Debt Service Fund.

Net Investment Income

Interest earned on the District's available funds has been estimated based on an average interest rate of approximately 0.5%.

Expenditures

General and Administrative Expenditures

General and administrative expenditures include the services necessary to maintain the District's administrative viability such as legal, accounting, management, insurance, meeting expense, and other administrative expenses.

Capital Outlay

Anticipated expenditures for capital outlay in 2021 are displayed on page 6 of the Budget.

Debt Service

The principal and interest payments in 2021 are provided based on the debt amortization schedule from the General Obligation Refunding Bonds Series 2020 (discussed under Debt and Leases).

Debt and Leases

Limited Tax Convertible to Unlimited Tax General Obligation Bonds, Series 2006. On September 22, 2006, the District issued \$11,675,000 in General Obligation Bonds (Limited Tax Convertible to Unlimited Tax) dated September 22, 2006, and \$2,735,000 in General Obligation Subordinate Bonds (Limited Tax Convertible to Unlimited Tax) dated September 22, 2006, both for infrastructure improvements. The senior bonds are term bonds due December 1, 2036, with an interest rate of 5.75%, paid semiannually on June 1 and December 1. The subordinate bonds are term bonds due December 15, 2036, with an interest rate of 6.75%, paid annually on December 15. The senior bonds are subject to redemption prior to maturity, at the option of the District, on December 1, 2016, and on any date thereafter, upon payment of par and accrued interest, without redemption premium. The subordinate bonds are subject to redemption prior to maturity, at the option of the District, on December 15, 2016, and on any date thereafter, upon payment of par and accrued interest, without redemption premium. The senior bonds are subject to mandatory sinking fund redemption on December 1, 2010, and on each December 1 thereafter in increasing amounts annually through maturity. The subordinate bonds are subject to mandatory sinking fund redemption on December 15, 2010, and on each December 15 thereafter in varying amounts annually through maturity.

**SORREL RANCH METROPOLITAN DISTRICT
2021 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Debt and Leases (continued)

The Bonds are secured by the Pledged Revenues and all moneys and earnings thereon held in the Funds or accounts created under the terms of the Indenture of Trust dated September 1, 2006 between the District and United Missouri Bank (UMB), as trustee. Pledged Revenues consists of revenues derived from the imposition of the Required Mill Levy (see below) remitted to the District, Facility Fees, Specific Ownership Taxes attributable to the Required Mill Levy, and any other legally available moneys of the District credited to the Bond Fund.

The District is required to impose a mill levy without limitation, up to a limit of 50.000 mills, on the assessed valuation of the District, in an amount sufficient to pay when due the principal and interest and to build up the Surplus Fund of each of the 2006A and 2006B series to their Maximum Surplus Amount, which must be maintained once reached until the Debt to Assessed Ratio is 50% or less. The Maximum Surplus Amount is \$1,167,500 for the Series 2006 Senior Bonds and \$273,500 for the Series 2006 Subordinate Bonds. The Series 2006 Senior and Subordinate Bonds were repaid in their entirety with the issuance of the Series 2020 Refunding Bonds.

Limited Tax General Obligation Refunding Bonds, Series 2020. On October 8, 2020, the District issued General Obligation Limited Tax Refunding Bonds, Series 2020 (the "Series 2020 Bonds"). The proceeds from the sale of the Bonds were used for the purpose of: (i) paying the costs of the Refunding Project, (ii) purchasing the Insurance Policy and the Reserve Fund Insurance Policy, and (iii) paying the costs of issuance of the Bonds. The Bonds shall be secured by a Municipal Bond Insurance Policy and a Debt Service Reserve Fund Insurance Policy provided by Assured Guaranty Municipal Corp ("AGM") in accordance with the terms of Commitments relating to the Bonds dated September 22, 2020 between the District and AGM. Pledged Revenues consists of revenues derived from the imposition of the Required Mill Levy (see below), Specific Ownership Taxes attributable to the Required Mill Levy, and any other legally available moneys of the District credited to the Bond Fund.

The Bonds are not secured by property lying within the District, but rather by, among other things, the District's obligation to annually determine, fix and certify a rate of levy, not to exceed the Required Mill Levy. The District has covenanted in the Bond Resolution to impose the Required Mill Levy on all of the taxable property of the District, in an amount sufficient to pay the principal of, premium if any, and interest on the Bonds as they become due and payable, and to replenish the Reserve Fund in the amount of the Reserve Fund Requirement, but not in excess of 50.000 mills, as adjusted. The Reserve Fund Requirement is the least of: (i) 10% of the proceeds of the Bonds, (ii) the maximum annual principal and interest payable with respect to the Bonds, or (iii) 125% of the average annual principal and interest payable with respect to the Bonds. The Reserve Fund is funded with the issuance of the Debt Service Reserve Fund Insurance Policy, as mentioned above.

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.

**SORREL RANCH METROPOLITAN DISTRICT
2021 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Debt and Leases (continued)

Operating Funding Agreements. The District entered into various Operation Funding Agreements with Engle homes Colorado, a division of TOUSA Homes, Inc. (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 was 5.840% for 2019 and 4.880 for 2020. The term of the Agreement extends until December 31, 2027 unless terminated earlier by mutual agreement of the parties. 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, where by 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 includes interest of 3.980% for 2007 and adjusted each January 1st to be 300 basis points above the 20-year AAA Municipal Market Data rate to be paid to the Developer for the acquisition of these improvements. 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 of all of such improvements, or to reimburse the Developer for part or all of the Developer advances.

The following is an analysis of anticipated changes in the District’s long-term obligations, subordinate to the Senior Bonds, for the years ending in December 31, 2020 and 2021.

| | December 31, | | | December 31, |
|---------------------------|---------------------|-------------------|---------------------|---------------------|
| | 2019 | Additions | Reductions | 2020 |
| G.O. Limited Tax Bonds: | | | | |
| Series 2006 - Subordinate | \$ 2,720,000 | - | 2,720,000 | \$ - |
| Developer Advances | | | | |
| Operating | 289,574 | - | - | 289,574 |
| Capital | 1,001,287 | - | - | 1,001,287 |
| Accrued Interest on | | | | |
| General Obligation Bonds | 2,028,233 | 272,430 | 2,300,663 | - |
| Series 2006 - Subordinate | | | | |
| Developer Advances | | | | |
| Operating | 232,967 | 14,178 | - | 247,145 |
| Capital | 801,012 | 49,023 | - | 850,035 |
| Total | <u>\$ 7,073,073</u> | <u>\$ 335,631</u> | <u>\$ 5,020,663</u> | <u>\$ 2,388,041</u> |

**SORREL RANCH METROPOLITAN DISTRICT
2021 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Debt and Leases (continued)

| | December 31, | | | December 31, |
|---------------------|---------------------|------------------|-------------|---------------------|
| | 2020 | Additions | Reductions | 2021 |
| Developer Advances | | | | |
| Operating | \$ 289,574 | - | - | \$ 289,574 |
| Capital | 1,001,287 | - | - | 1,001,287 |
| Accrued Interest on | | | | |
| Developer Advances | | | | |
| Operating | 247,145 | 14,131 | - | 261,276 |
| Capital | 850,035 | 48,863 | - | 898,898 |
| Total | <u>\$ 2,388,041</u> | <u>\$ 62,994</u> | <u>\$ -</u> | <u>\$ 2,451,035</u> |

The District has no operating or capital leases.

Reserves

Emergency Reserve

The District has provided for an Emergency Reserve equal to at least 3% of the fiscal year spending for 2021, as defined under TABOR.

This information is an integral part of the accompanying budget.

**SORREL RANCH METROPOLITAN DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2020**

| Bonds and Interest Maturing in the Year Ending December 31, | \$13,425,000 Limited Tax General Obligation Bonds Series 2020 Dated October 8, 2020 Principal Due December 1, Interest Rates - 2.00% - 5.00% Payable June 1 and December 1 | | |
|--|---|---------------------|----------------------|
| | Principal | Interest | Total |
| 2021 | \$ 395,000 | \$ 485,625 | \$ 880,625 |
| 2022 | 405,000 | 477,725 | 882,725 |
| 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 |
| | \$ 13,425,000 | \$ 5,987,000 | \$ 19,412,000 |

No assurance provided. See summary of significant assumptions.