

Sabell Metropolitan District

2021 Annual Report

**SABELL METROPOLITAN DISTRICT
CITY OF ARVADA, STATE OF COLORADO**

ANNUAL REPORT FOR FISCAL YEAR 2021

Pursuant to the Amended and Restated Service Plan for Sabell Metropolitan District (the “District”), the District is required to provide an annual report to the City of Arvada (the “City”) with regard to the matters below.

To the best of our actual knowledge, for the year ending December 31, 2021, the District makes the following report:

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

Order for Inclusion of Property Recorded on May 3, 2021 at Reception No. 2021068456 attached hereto as **Exhibit A**.

2. Intergovernmental Agreements with other governmental entities either entered into or proposed as of December 31 of the prior year.

The District did not enter into any Intergovernmental Agreements in 2021.

3. Copies of the District’s Rules and Regulations, if any, as of December 31 of the prior year.

The District did not adopt any rules and regulations in 2021.

4. A summary of any litigation which involves the District’s Public Improvements as of December 31 of the prior year.

To our actual knowledge, based on a review of the court records in Jefferson County, Colorado and the Public Access to Court Electronic Records (PACER) there is no litigation involving the District as of December 31, 2021.

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

The District did not construct any Public Improvements in 2021. All Public Improvements are being constructed by the Developer.

6. A list of all facilities and improvements constructed by the District that have been dedicated to and accepted by the City as of December 31 of the prior year.

No facilities or improvements were constructed by the District that were dedicated to and accepted by the City of Arvada as of December 31, 2021. All Public Improvements are being constructed by the Developer.

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

The current assessed valuation of the District is \$3,289,422.

8. Current year budget including a description of the Public Improvements to be constructed in such year.

The 2022 budget for the District is attached hereto as **Exhibit B**.

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

The 2021 Audit is attached in **Exhibit C**.

10. Notice of any uncured events of default by the District, which continue beyond a ninety (90) day period, under any Debt instrument.

There were no events of default for the year ending December 31, 2021.

11. Any inability of the District to pay its obligations as they come due, in accordance with the terms of such obligations, which continue beyond a ninety (90) day period.

The District has been able to pay its obligations as they become due.

Respectfully submitted this ____ day of _____, 2022.

SABELL METROPOLITAN DISTRICT

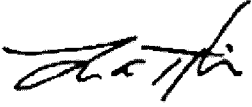


Matt Cavanaugh (Jun 9, 2022 10:11 MDT)

Officer of the District

EXHIBIT A
Order for Inclusion

SO ORDERED BY COURT
04/23/2021

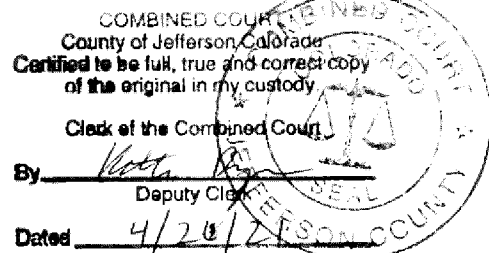
| | |
|--|---|
| DISTRICT COURT, JEFFERSON COUNTY, COLORADO | |
| Court Address: 100 Jefferson County Parkway Golden, CO 80401 Telephone: (303) 271-6215 | |
| Petitioner: |  LAURA ANN TIGHE District Court Judge |
| SABELL METROPOLITAN DISTRICT | |
| By the Court: | ▲ COURT USE ONLY ▲ |
| | Case Number: 2018CV31509 Division: 7 Courtroom: _____ |
| ORDER FOR INCLUSION (Ridge Road Capital Investments, LLC Property) | |

THIS MATTER comes before the Court pursuant to § 32-1-401(1), C.R.S., on Motion for an Order for Inclusion of property into the boundaries of the Sabell Metropolitan District No. 2, to be known as Sabell Metropolitan District, City of Arvada, Jefferson County, Colorado (the "District"). This Court, being fully advised in the premises, and there being no objection filed by any person, hereby ORDERS:

1. That the real property set forth in **Exhibit A**, attached hereto and incorporated herein by this reference (the "Property"), shall be and is hereby included within the boundaries of the District.

2. That in accordance with § 32-1-402(1)(b), C.R.S., after the date of this Order, the Property shall be subject to all of the taxes and charges imposed by the District and shall be liable for its proportionate share of existing bonded indebtedness of the District, except as owners may be exempt by law.

3. In accordance with § 32-1-402(1)(c), C.R.S., the Property shall be liable for its proportionate share of annual operation and maintenance charges and the cost of facilities of the District and taxes, rates, fees, tolls or charges shall be certified and levied or assessed therefor.



4. In accordance with § 32-1-402(1)(f), C.R.S., the District's facility and service standards which are applied within the included area shall be compatible with the facility and service standards of adjacent municipalities.

5. The District shall file this order in accordance with the provisions of § 32-1-105, C.R.S.

DONE AND EFFECTIVE THIS _____ DAY OF _____ 2021.

BY THE COURT:

District Court Judge



EXHIBIT A
(Legal Description of Inclusion Property)

SABELL METROPOLITAN DISTRICT INCLUSION AREA 2:
SHEET 1 OF 2

OCTOBER 2, 2019

TRACT U BLOCK 3, TRACT J BLOCK 4, TRACT T BLOCK 5

SABELL SUBDIVISION, A SUBDIVISION RECORDED AT RECEPTION NUMBER
2019046492 AND LOCATED IN THE SOUTHEAST 1/4 OF SECTION 8, TOWNSHIP 3
SOUTH, RANGE 69 WEST OF THE SIXTH PRINCIPAL MERIDIAN, CITY OF ARVADA,
COUNTY OF JEFFERSON, STATE OF COLORADO.



SABELL METROPOLITAN DISTRICT

SHEET 2 OF 2

TITLE:

SABELL METROPOLITAN DISTRICT - INCLUSION AREA 2

LOCATION:

A PARCEL OF LAND LOCATED IN THE SOUTHEAST 1/4 OF SECTION 8,
TOWNSHIP 3 SOUTH, RANGE 69 WEST OF THE SIXTH PRINCIPAL MERIDIAN,
CITY OF ARVADA, COUNTY OF JEFFERSON, STATE OF COLORADO

SCALE:
1"=300'

DATE:
10-02-19

PROJECT NO.:
0009-1615

AREA:

PATH:

J:0009-1615 SURVEY FOR SABELL METROPOLITAN DISTRICT
BOUNDARY SABELL DISTRICT INCLUSION AREA 2

KT ENGINEERING

12500 W 58th AVE #210
ARVADA, CO 80002
PH: 720.638.5160

4

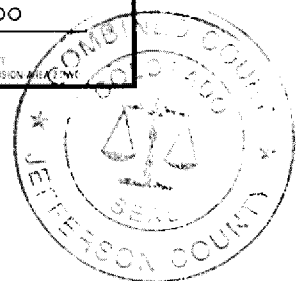


EXHIBIT B
2022 Budget

SABELL METROPOLITAN DISTRICT

ANNUAL BUDGET

FOR THE YEAR ENDING DECEMBER 31, 2022

**SABELL METROPOLITAN DISTRICT
SUMMARY
2022 BUDGET
WITH 2020 ACTUAL AND 2021 ESTIMATED
For the Years Ended and Ending December 31,**

1/26/22

| | ACTUAL 2020 | ESTIMATED 2021 | BUDGET 2022 |
|---|----------------|-------------------|----------------|
| BEGINNING FUND BALANCES | \$ - | \$ 4,929,654 | \$ 1,147,680 |
| REVENUES | | | |
| Bond Proceeds - Series 2020A | 7,395,000 | - | - |
| Bond Proceeds - Series 2020A Premium | 436,527 | - | - |
| Bond Proceeds - Series 2020B | 1,816,000 | - | - |
| Interest income | 23,681 | 1,498 | 1,000 |
| Developer advance | 4,135,509 | 2,406,457 | 1,025,000 |
| Property taxes | 21 | 108,052 | 238,032 |
| Specific ownership tax | 2 | 6,674 | 16,662 |
| Operations fees | - | 2,500 | 27,800 |
| Transfer fees | - | 7,500 | 36,900 |
| Total revenues | 13,806,740 | 2,532,681 | 1,345,394 |
| TRANSFERS IN | 1,704,079 | 6,500 | - |
| Total funds available | 15,510,819 | 7,468,835 | 2,493,074 |
| EXPENDITURES | | | |
| General Fund | 86,967 | 90,500 | 82,000 |
| Special Revenue Fund | - | 16,200 | 63,000 |
| Debt Service Fund | 273,204 | 377,997 | 385,000 |
| Capital Projects Fund | 8,516,915 | 5,829,958 | 1,000,000 |
| Total expenditures | 8,877,086 | 6,314,655 | 1,530,000 |
| TRANSFERS OUT | 1,704,079 | 6,500 | - |
| Total expenditures and transfers out requiring appropriation | 10,581,165 | 6,321,155 | 1,530,000 |
| ENDING FUND BALANCES | \$ 4,929,654 | \$ 1,147,680 | \$ 963,074 |
| EMERGENCY RESERVE | \$ 2,700 | \$ 800 | \$ 1,800 |
| SPECIAL REVENUE RESERVE | - | 300 | 2,000 |
| SURPLUS FUND | 599,490 | 680,122 | 861,791 |
| CAPITALIZED INTEREST FUND | 836,046 | 466,296 | 96,546 |
| TOTAL RESERVE | \$ 1,439,023 | \$ 1,147,680 | \$ 962,137 |

**SABELL METROPOLITAN DISTRICT
PROPERTY TAX SUMMARY INFORMATION
2022 BUDGET
WITH 2020 ACTUAL AND 2021 ESTIMATED
For the Years Ended and Ending December 31,**

1/26/22

| ACTUAL 2020 | ESTIMATED 2021 | BUDGET 2022 |
|----------------|-------------------|----------------|
|----------------|-------------------|----------------|

ASSESSED VALUATION

| | | | |
|--------------------------|---------------|---------------------|---------------------|
| Vacant land | \$ 286 | \$ 1,493,200 | \$ 3,289,029 |
| State assessed | - | - | 2 |
| Personal property | - | - | 391 |
| Certified Assessed Value | <u>\$ 286</u> | <u>\$ 1,493,200</u> | <u>\$ 3,289,422</u> |

MILL LEVY

| | | | |
|-----------------|---------------|---------------|---------------|
| General | 72.363 | 16.699 | 16.699 |
| Debt Service | 0.000 | 55.664 | 55.664 |
| Total mill levy | <u>72.363</u> | <u>72.363</u> | <u>72.363</u> |

PROPERTY TAXES

| | | | |
|--------------------------------|--------------|-------------------|-------------------|
| General | \$ 21 | \$ 24,935 | \$ 54,930 |
| Debt Service | - | 83,117 | 183,102 |
| Levied property taxes | 21 | 108,052 | 238,032 |
| Adjustments to actual/rounding | - | - | - |
| Refunds and abatements | - | - | - |
| Budgeted property taxes | <u>\$ 21</u> | <u>\$ 108,052</u> | <u>\$ 238,032</u> |

BUDGETED PROPERTY TAXES

| | | | |
|--------------|--------------|-------------------|-------------------|
| General | \$ 21 | \$ 24,935 | \$ 54,930 |
| Debt Service | - | 83,117 | 183,102 |
| | <u>\$ 21</u> | <u>\$ 108,052</u> | <u>\$ 238,032</u> |

**SABELL METROPOLITAN DISTRICT
GENERAL FUND
2022 BUDGET
WITH 2020 ACTUAL AND 2021 ESTIMATED
For the Years Ended and Ending December 31,**

1/26/22

| | ACTUAL 2020 | ESTIMATED 2021 | BUDGET 2022 |
|---|----------------|-------------------|----------------|
| BEGINNING FUND BALANCE | \$ - | \$ 3,487 | \$ 962 |
| REVENUES | | | |
| Developer advance | 90,431 | 68,000 | 25,000 |
| Property taxes | 21 | 24,935 | 54,930 |
| Specific ownership tax | 2 | 1,540 | 3,845 |
| Total revenues | 90,454 | 94,475 | 83,775 |
| Total funds available | 90,454 | 97,962 | 84,737 |
| EXPENDITURES | | | |
| General and administrative | | | |
| Accounting | 21,562 | 30,000 | 33,000 |
| Auditing | - | 5,000 | 5,500 |
| County Treasurer's fee | - | 374 | 824 |
| Dues and licenses | - | 382 | 500 |
| Insurance and bonds | 2,733 | 3,554 | 4,000 |
| Legal services | 61,722 | 50,000 | 35,000 |
| Miscellaneous | 950 | - | - |
| Contingency | - | 1,190 | 3,176 |
| Total expenditures | 86,967 | 90,500 | 82,000 |
| TRANSFERS OUT | | | |
| Transfers to other fund | - | 6,500 | - |
| Total expenditures and transfers out requiring appropriation | 86,967 | 97,000 | 82,000 |
| ENDING FUND BALANCE | \$ 3,487 | \$ 962 | \$ 2,737 |
| EMERGENCY RESERVE | \$ 2,700 | \$ 800 | \$ 1,800 |
| TOTAL RESERVE | \$ 2,700 | \$ 800 | \$ 1,800 |

**SABELL METROPOLITAN DISTRICT
SPECIAL REVENUE FUND
2022 BUDGET
WITH 2020 ACTUAL AND 2021 ESTIMATED
For the Years Ended and Ending December 31,**

1/26/22

| | ACTUAL 2020 | ESTIMATED 2021 | BUDGET 2022 |
|---|----------------|-------------------|----------------|
| BEGINNING FUND BALANCE | \$ - | \$ - | \$ 300 |
| REVENUES | | | |
| Operations fees | - | 2,500 | 27,800 |
| Transfer fees | - | 7,500 | 36,900 |
| Total revenues | - | 10,000 | 64,700 |
| TRANSFERS IN | | | |
| Transfers from other funds | - | 6,500 | - |
| Total funds available | - | 16,500 | 65,000 |
| EXPENDITURES | | | |
| Operations and maintenance | | | |
| Repairs and maintenance | - | 900 | 4,500 |
| District management | - | 6,000 | 22,400 |
| Landscaping | - | 2,500 | 10,000 |
| Trash Removal | - | 2,500 | 10,000 |
| Snow Removal | - | 2,500 | 10,000 |
| Utilities | - | 1,500 | 5,000 |
| Miscellaneous | - | 300 | 1,100 |
| Total expenditures | - | 16,200 | 63,000 |
| Total expenditures and transfers out requiring appropriation | - | 16,200 | 63,000 |
| ENDING FUND BALANCE | \$ - | \$ 300 | \$ 2,000 |
| SPECIAL REVENUE RESERVE | \$ - | \$ 300 | \$ 2,000 |
| TOTAL RESERVE | \$ - | \$ 300 | \$ 2,000 |

**SABELL METROPOLITAN DISTRICT
DEBT SERVICE FUND
2022 BUDGET
WITH 2020 ACTUAL AND 2021 ESTIMATED
For the Years Ended and Ending December 31,**

1/26/22

| | ACTUAL 2020 | ESTIMATED 2021 | BUDGET 2022 |
|---|----------------|-------------------|----------------|
| BEGINNING FUND BALANCE | \$ - | \$ 1,435,536 | \$ 1,146,418 |
| REVENUES | | | |
| Property taxes | - | 83,117 | 183,102 |
| Specific ownership tax | - | 5,134 | 12,817 |
| Interest income | 4,661 | 628 | 1,000 |
| Total revenues | 4,661 | 88,879 | 196,919 |
| TRANSFERS IN | | | |
| Transfers from other funds | 1,704,079 | - | - |
| Total funds available | 1,708,740 | 1,524,415 | 1,343,337 |
| EXPENDITURES | | | |
| Debt Service | | | |
| Bond interest - Series 2020A | 273,204 | 369,750 | 369,750 |
| County Treasurer's fee | - | 1,247 | 2,747 |
| Paying agent fees | - | 7,000 | 7,000 |
| Contingency | - | - | 5,503 |
| Total expenditures | 273,204 | 377,997 | 385,000 |
| Total expenditures and transfers out requiring appropriation | 273,204 | 377,997 | 385,000 |
| ENDING FUND BALANCE | \$ 1,435,536 | \$ 1,146,418 | \$ 958,337 |
| SURPLUS FUND | \$ 599,490 | \$ 680,122 | \$ 861,791 |
| CAPITALIZED INTEREST FUND | 836,046 | 466,296 | 96,546 |
| TOTAL RESERVE | \$ 1,435,536 | \$ 1,146,418 | \$ 958,337 |

**SABELL METROPOLITAN DISTRICT
CAPITAL PROJECTS FUND
2022 BUDGET
WITH 2020 ACTUAL AND 2021 ESTIMATED
For the Years Ended and Ending December 31,**

1/26/22

| | ACTUAL 2020 | ESTIMATED 2021 | BUDGET 2022 |
|---|----------------|-------------------|----------------|
| BEGINNING FUND BALANCE | \$ - | \$ 3,490,631 | \$ - |
| REVENUES | | | |
| Bond Proceeds - Series 2020A | 7,395,000 | - | - |
| Bond Proceeds - Series 2020A Premium | 436,527 | - | - |
| Bond Proceeds - Series 2020B | 1,816,000 | - | - |
| Interest income | 19,020 | 870 | - |
| Developer advance | 4,045,078 | 2,338,457 | 1,000,000 |
| Total revenues | 13,711,625 | 2,339,327 | 1,000,000 |
| Total funds available | 13,711,625 | 5,829,958 | 1,000,000 |
| EXPENDITURES | | | |
| Capital Projects | | | |
| Accounting | 5,033 | 2,295 | - |
| Bond issue costs | 463,545 | - | - |
| Regional Contribution | 1,174,787 | - | - |
| Repay developer advance | 2,818,552 | 3,485,133 | - |
| Engineering | 9,920 | 4,073 | - |
| Capital outlay | 4,045,078 | 2,338,457 | 1,000,000 |
| Total expenditures | 8,516,915 | 5,829,958 | 1,000,000 |
| TRANSFERS OUT | | | |
| Transfers to other fund | 1,704,079 | - | - |
| Total expenditures and transfers out requiring appropriation | 10,220,994 | 5,829,958 | 1,000,000 |
| ENDING FUND BALANCE | \$ 3,490,631 | \$ - | \$ - |

**SABELL METROPOLITAN DISTRICT
2022 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Services Provided

Sabell Metropolitan District (the "District"), a quasi-municipal corporation and political subdivision of the State of Colorado was organized by Court Order and Decree of the District Court on January 24, 2019, and is governed pursuant to provisions of the Colorado Special District Act, Title 32, Article I, Colorado Revised Statutes. The District's service area is location in Jefferson County. The District was established to provide financing for the design, acquisition, installation, construction and completion of public improvements and services.

Pursuant to the Service Plan, the District is permitted to issue bond indebtedness of up to \$30,000,000. 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 Districts' service area, however, as of the date of this budget, the amount and timing of any debt issuances is not determinable.

The District has no employees and all administrative functions are contractual.

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

Developer Advances

The District is in the development stage. As such, a significant portion of the operating and administrative expenditures are to be funded by the Developer. The Developer is also expected to construct or cause to construct public improvements on behalf of the District. Developer advances are recorded as revenue for budget purposes with an obligation for future repayment when the District is financially able to reimburse the Developer from bond proceeds and other legally available revenue.

Property Taxes

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

The calculation of the taxes levied is displayed on the property tax summary information page of the budget.

**SABELL METROPOLITAN DISTRICT
2022 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.

Interest Income

Interest earned on the District's available funds has been estimated based on an average interest rate of approximately 0.10%.

Operations fees

The District imposes an Operations Fee on all residential units within the boundaries of the District to fund operating costs. The Operations Fee is a recurring payment of \$360 per unit per year.

Transfer fees

The District imposes a Transfer fee of \$600 upon on each transfer of a residential unit to an end user, including single family and multi-family dwellings and excluding apartments.

Expenditures

General and Administrative Expenditures

General and administrative expenditures include the estimated cost of services necessary to maintain the District's administrative viability such as legal, accounting, insurance, membership dues, election and other administrative expenditures.

Debt Service

Principal and interest payments in 2022 are provided based on the debt amortization schedule from the Series 2020A Bonds (discussed under Debts and Leases). There is no debt amortization schedule provided for the Series 2019B Subordinate Bonds as the Bond is a cash flow bond and the timing of the payments are unknown.

Capital Outlay

The District anticipates capital outlay as outlined in the Capital Project Fund.

**SABELL METROPOLITAN DISTRICT
2022 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Debt and Leases

Series 2020 Bonds

The District issued Limited Tax (Convertible to Unlimited Tax) General Obligation Bonds, Series 2020A on March 5, 2020, in the par amount of \$7,395,000 (the Senior Bonds). The District also issued Subordinate Limited Tax General Obligation Bonds, Series 2020B(3) on March 5, 2020, in the par amount of \$1,816,000 (the Subordinate Bonds). Proceeds from the sale of the Senior Bonds were used to: (i) finance public improvements related to the Development; (ii) fund capitalized interest on the Senior Bonds; (iii) partially fund the Senior Surplus Fund; and (iv) pay the costs of issuance of the Senior Bonds and certain costs of issuance of the Subordinate Bonds. Proceeds from the sale of the Subordinate Bonds were used to: (i) finance additional public improvements related to the Development; and (ii) pay certain other costs of issuance of the Subordinate Bonds.

Senior Bond Details

The Senior Bonds bear interest at 5.0%, payable semi-annually to the extent of Senior Pledged Revenue available on June 1 and December 1 ("Interest Payment Dates"), beginning on June 1, 2020. Annual mandatory sinking fund principal payments are due on December 1, beginning on December 1, 2024. The Bonds mature on December 1, 2050. To the extent principal of any Senior Bond is not paid when due, such principal shall remain outstanding until paid and shall continue to bear interest at the rate then borne by the Senior Bond. To the extent interest on any Senior Bond is not paid when due, such interest shall compound on each Interest Payment Date at the rate then borne by the Senior Bonds. Any amount of unpaid principal of or interest on the 2020A Senior Bonds shall be deemed discharged on December 2, 2060.

Senior Pledged Revenue

The Senior Bonds are secured by and payable from the Senior Pledged Revenue, which means the moneys derived by the District from the following sources, net of any costs of collection and any property tax refunds or abatements authorized by or on behalf of the County: (a) the Senior Required Mill Levy; (b) the portion of the Specific Ownership Tax which is collected as a result of imposition of the Senior Required Mill Levy; and (c) any other legally available moneys which the District determines, in its absolute discretion, to transfer to the Trustee for application as Senior Pledged Revenue.

Subordinate Bonds Details

The Subordinate Bonds bear interest at a rate of 8.25% per annum and are structured as "cash flow" bonds, meaning that no regularly scheduled payments of principal are due on the Subordinate Bonds prior to their maturity date. Instead, principal is payable on each December 15 from the available Subordinate Pledged Revenue, if any, pursuant to a mandatory redemption. Interest on the Subordinate Bonds is payable on each December 15, commencing December 15, 2020, to the extent of the Subordinate Pledged Revenue and accrued unpaid interest on the Subordinate Bonds will compound annually on each December 15 until sufficient Subordinate Pledged Revenue is available for payment.

Payment of principal of and interest on the Subordinate Bonds is subordinate to the annual payment of debt service on the Senior Bonds and to the funding of the Senior Surplus Fund. In the event that any amount of principal of or interest on the Subordinate Bonds remains unpaid on December 16, 2060, the Subordinate Bonds will be deemed discharged.

**SABELL METROPOLITAN DISTRICT
2022 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Debt and Leases (continued)

Subordinate Pledged Revenue

The Subordinate Bonds are secured by and payable solely from and to the extent of Subordinate Pledged Revenue, net of any costs of collection and any property tax refunds or abatements authorized by or on behalf of the County, which includes: (a) the Subordinate Required Mill Levy; (b) the portion of the Specific Ownership Tax resulting from the Subordinate Required Mill Levy; (c) the amounts, if any, in the Senior Surplus Fund released to the District pursuant to the Senior Indenture; and (d) any other legally available moneys which the District determines, in its absolute discretion, to transfer to the Trustee for application as Subordinate Pledged Revenue

Optional Redemption

The Senior Bonds are subject to redemption prior to maturity, at the option of the District, on March 1, 2025, and on any date thereafter, upon payment of par, accrued interest, and a redemption premium equal to a percentage of the principal amount so redeemed as follows:

| <u>Date of Redemption</u> | <u>Redemption Premium</u> |
|-------------------------------------|---------------------------|
| March 1, 2025, to February 28, 2026 | 3.00% |
| March 1, 2026, to February 28, 2027 | 2.00 |
| March 1, 2027, to February 28, 2028 | 1.00 |
| March 1, 2028, and thereafter | 0.00 |

Senior Required Mill Levy

Pursuant to the Senior Indenture, prior to the Conversion Date the District has covenanted to impose a Senior Required Mill Levy on all taxable property of the District each year in an amount sufficient pay the Senior Bonds as they come due, but (i) not in excess of 50 mills (subject to adjustment for changes in the method of calculating assessed valuation occurring after January 1, 2017), and (ii) for so long as the Senior Surplus Fund is required to be maintained and the amount on deposit therein is less than the Maximum Surplus Amount, not less than 50 mills (subject to adjustment), or such lesser mill levy which will pay the Senior Bonds as they come due and will fund the Senior Surplus Fund up to the Maximum Surplus Amount.

On and after the Conversion Date, the Senior Required Mill Levy will be an ad valorem mill levy imposed upon all taxable property of the District each year in an amount sufficient to pay the principal of, premium if any, and interest on the Bonds as the same become due and payable and, without limitation of rate and in amounts sufficient to make such payments and replenishments when due.

Conversion Date

Conversion Date means the date that the Debt to Assessed Ratio is 50% or less and no payments of principal or interest on the Bonds are past due and the amount on deposit in the Senior Surplus Fund is not less than the initial deposit in the Senior Surplus Fund.

**SABELL METROPOLITAN DISTRICT
2022 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Debt and Leases (continued)

Debt to Assessed Ratio

The Debt to Assessed Ratio is derived by dividing the District's then-outstanding principal amount of all debt of the District to which property taxes are pledged by the assessed valuation of the taxable property of the District. For purposes of the forecast, the current year Debt to Assessed Ratio is calculated based on the outstanding debt as of December 2 of the current year and the assessed valuation for the subsequent year.

Subordinate Required Mill Levy

Pursuant to the Subordinate Indenture, the District has covenanted to impose a Subordinate Required Mill Levy in the amount of (i) 50 mills (subject to adjustment for changes in the method of calculating assessed valuation occurring after January 1, 2017) less the Senior Bond Required Mill Levy. It is the intent that if the amount of the Senior Required Mill Levy equals or exceeds 50 mills in any year, adjusted for changes, the Subordinate Required Mill Levy for that year shall be zero.

The District has no operating or capital leases.

| | Balance at December 31, 2020 | Additions | Reductions | Balance at December 31, 2021* |
|--|-------------------------------------|---------------------|---------------------|-------------------------------------|
| Bonds: | | | | |
| Series 2020A | \$ 7,395,000 | \$ - | \$ - | \$ 7,395,000 |
| Series 2020A - Preium | 422,260 | - | 19,308 | 402,952 |
| Series 2020B(3) | 1,816,000 | - | - | 1,816,000 |
| Accrued Interest - 2020B(3) | 123,613 | 160,018 | - | 283,631 |
| Developer Advances: | | | | |
| Operations | 90,431 | 68,000 | - | 158,431 |
| Capital | 1,226,526 | 2,336,162 | 3,465,307 | 97,381 |
| Accrued Interest on Developer Advances: | | | | |
| Operations | 140 | 9,119 | - | 9,259 |
| Capital | 5,528 | 15,246 | 19,826 | 948 |
| Total | \$ 11,079,498 | \$ 2,588,545 | \$ 3,504,441 | \$ 10,163,602 |
| | | | | |
| | Balance at December 31, 2021* | Additions | Reductions | Balance at December 31, 2022* |
| Bonds: | | | | |
| Series 2019A | \$ 7,395,000 | \$ - | \$ - | \$ 7,395,000 |
| Series 2019B | 402,952 | - | 19,308 | 383,644 |
| Series 2020B(3) | 1,816,000 | - | - | 1,816,000 |
| Accrued Interest - 2020B(3) | 283,631 | 173,219 | - | 456,850 |
| Developer Advances: | | | | |
| Operations | 158,431 | 25,000 | - | 183,431 |
| Capital | 97,381 | 1,000,000 | - | 1,097,381 |
| Accrued Interest on Developer Advances: | | | | |
| Operations | 9,259 | 13,674 | - | 22,933 |
| Capital | 948 | 47,790 | - | 48,738 |
| Total | \$ 10,163,602 | \$ 1,259,683 | \$ 19,308 | \$ 11,403,977 |

*Estimated

**SABELL METROPOLITAN DISTRICT
2022 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Reserves

Emergency Reserve

The District has provided for an emergency reserve fund equal to at least 3% of fiscal year spending for 2022 as defined under TABOR.

Debt Service Reserve (Surplus Fund)

The District is required to maintain a Surplus Fund from funds that exceed the current year debt service requirements as outlined in the terms of the Bonds. The Surplus Fund is not to exceed \$1,479,000 and shall be drawn in the event Pledged Revenues are insufficient to cover current year debt service requirements.

This information is an integral part of the accompanying budget.

**SABELL METROPOLITAN DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
MANDATORY REDEMPTION SCHEDULE**

\$7,395,000 Limited Tax (Convertible to Unlimited Tax)

General Obligation Bonds

Series 2020A, Dated March 5, 2020

Principal Due December 1

Interest at 5.0%

Payable June 1 and December 1

| Year | Principal | Interest | Total |
|--------------|--------------------|--------------------|---------------------|
| 2022 | \$ - | \$ 369,750 | \$ 369,750 |
| 2023 | - | 369,750 | 369,750 |
| 2024 | 15,000 | 369,750 | 384,750 |
| 2025 | 85,000 | 369,000 | 454,000 |
| 2026 | 95,000 | 364,750 | 459,750 |
| 2027 | 100,000 | 360,000 | 460,000 |
| 2028 | 115,000 | 355,000 | 470,000 |
| 2029 | 120,000 | 349,250 | 469,250 |
| 2030 | 135,000 | 343,250 | 478,250 |
| 2031 | 145,000 | 336,500 | 481,500 |
| 2032 | 160,000 | 329,250 | 489,250 |
| 2033 | 170,000 | 321,250 | 491,250 |
| 2034 | 185,000 | 312,750 | 497,750 |
| 2035 | 195,000 | 303,500 | 498,500 |
| 2036 | 215,000 | 293,750 | 508,750 |
| 2037 | 225,000 | 283,000 | 508,000 |
| 2038 | 250,000 | 271,750 | 521,750 |
| 2039 | 260,000 | 259,250 | 519,250 |
| 2040 | 285,000 | 246,250 | 531,250 |
| 2041 | 300,000 | 232,000 | 532,000 |
| 2042 | 325,000 | 217,000 | 542,000 |
| 2043 | 340,000 | 200,750 | 540,750 |
| 2044 | 370,000 | 183,750 | 553,750 |
| 2045 | 385,000 | 165,250 | 550,250 |
| 2046 | 415,000 | 146,000 | 561,000 |
| 2047 | 435,000 | 125,250 | 560,250 |
| 2048 | 470,000 | 103,500 | 573,500 |
| 2049 | 495,000 | 80,000 | 575,000 |
| 2050 | 1,105,000 | 55,250 | 1,160,250 |
| Total | \$7,395,000 | \$7,716,500 | \$15,111,500 |

No assurance provided. See summary of significant assumptions.

EXHIBIT C
2021 Audit

SABELL METROPOLITAN DISTRICT

Jefferson County, Colorado

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2021

**SABELL METROPOLITAN DISTRICT
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YEAR ENDED DECEMBER 31, 2021**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Sabell Metropolitan District
City of Arvada, Colorado

Opinion

We have audited the accompanying financial statements of the governmental activities and each major fund of the Sabell Metropolitan District (the "District"), City of Arvada, Colorado, as of and for the year ended December 31, 2021, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Sabell Metropolitan District, as of December 31, 2021, and the respective changes in financial position and the respective budgetary comparisons for the General Fund and Special Revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Sabell Metropolitan 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

Sabell Metropolitan District's 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 Sabell Metropolitan District's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 GAAS, 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 Sabell Metropolitan 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 Sabell Metropolitan 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 not presented Management's Discussion and Analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basis 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 basis financial statements is not affected by the missing information.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Sabell Metropolitan District's basic financial statements. The supplemental information listed in the table of contents are presented for the purpose of additional analysis and was not a required part of the financial statements.

The supplemental schedules of Debt Service Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual and Capital Projects Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements.

Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Debt Service Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual and Capital Projects Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual are fairly stated in all material respects in relation to the financial statements as a whole.

Other Information

Management is responsible for the other information. The other information comprises The Schedule of Debt Service Requirements to Maturity and Schedule of Assessed Valuation, Mill Levy and Property Taxes Collected but does not include the financial statements and our auditor's report thereon. Our opinions on the 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 financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the 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.



Watson Coon Ryan, LLC
March 15, 2022
Centennial, Colorado

BASIC FINANCIAL STATEMENTS

**SABELL METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2021**

| | Governmental Activities |
|---------------------------------------|------------------------------|
| ASSETS | |
| Cash and Investments | \$ 21,462 |
| Cash and Investments - Restricted | 1,148,634 |
| Receivable - County Treasurer | 515 |
| Receivable - Other | 4,844 |
| Prepaid Expenses | 700 |
| Property Taxes Receivable | 238,032 |
| Capital Assets, Not Being Depreciated | 6,381,239 |
| Total Assets | <u>7,795,426</u> |
| LIABILITIES | |
| Accounts Payable | 11,972 |
| Accrued Interest Payable | 314,444 |
| Noncurrent Liabilities: | |
| Due in More Than One Year | 9,856,339 |
| Total Liabilities | <u>10,182,755</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Property Tax Revenues | 238,032 |
| Unearned Revenues | 4,624 |
| Total Deferred Inflows of Resources | <u>242,656</u> |
| NET POSITION | |
| Restricted for: | |
| Emergency Reserves | 1,600 |
| Unrestricted | <u>(2,631,585)</u> |
| Total Net Position | <u><u>\$ (2,629,985)</u></u> |

See accompanying Notes to Basic Financial Statements.

**SABELL METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021**

| | | Program Revenues | | | Net Revenues (Expenses) and Change in Net Position |
|---|-------------------|----------------------------|--|--|---|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities |
| FUNCTIONS/PROGRAMS | | | | | |
| Primary Government: | | | | | |
| Governmental Activities: | | | | | |
| General Government | \$ 91,950 | \$ 22,778 | \$ - | \$ - | \$ (69,172) |
| Interest and Related Costs on Long-Term Debt | 542,441 | - | - | - | (542,441) |
| Total Governmental Activities | <u>\$ 634,391</u> | <u>\$ 22,778</u> | <u>\$ -</u> | <u>\$ -</u> | (611,613) |
| GENERAL REVENUES | | | | | |
| Property Taxes | | | | | 108,055 |
| Specific Ownership Taxes | | | | | 8,267 |
| Net Investment Income | | | | | 885 |
| Total General Revenues | | | | | <u>117,207</u> |
| CHANGE IN NET POSITION | | | | | (494,406) |
| Net Position - Beginning of Year | | | | | <u>(2,135,579)</u> |
| NET POSITION - END OF YEAR | | | | | <u>\$ (2,629,985)</u> |

See accompanying Notes to Basic Financial Statements.

**SABELL METROPOLITAN DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2021**

| | General | Special Revenue | Debt Service | Capital Projects | Total Governmental Fund |
|--|------------------|--------------------|---------------------|---------------------|-------------------------------|
| ASSETS | | | | | |
| Cash and Investments | \$ 5,904 | \$ 15,558 | \$ - | \$ - | \$ 21,462 |
| Cash and Investments - Restricted | 900 | 700 | 1,147,034 | - | 1,148,634 |
| Prepaid Expenses | 700 | - | - | - | 700 |
| Receivable - County Treasurer | 119 | - | 396 | - | 515 |
| Receivable - Other | - | 4,844 | - | - | 4,844 |
| Property Taxes Receivable | 54,930 | - | 183,102 | - | 238,032 |
| Total Assets | <u>\$ 62,553</u> | <u>\$ 21,102</u> | <u>\$ 1,330,532</u> | <u>\$ -</u> | <u>\$ 1,414,187</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | | | | | |
| LIABILITIES | | | | | |
| Accounts Payable | \$ 11,972 | \$ - | \$ - | \$ - | \$ 11,972 |
| Total Liabilities | 11,972 | - | - | - | 11,972 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Deferred Property Taxes | 54,930 | - | 183,102 | - | 238,032 |
| Unearned Revenue | - | 4,624 | - | - | 4,624 |
| Total Deferred Inflows of Resources | 54,930 | 4,624 | 183,102 | - | 242,656 |
| FUND BALANCES | | | | | |
| Nonspendable: | | | | | |
| Prepaid Expenses | 700 | - | - | - | 700 |
| Restricted for: | | | | | |
| Emergency Reserves | 900 | 700 | - | - | 1,600 |
| Debt Service | - | - | 1,147,430 | - | 1,147,430 |
| Committed for: | | | | | |
| Operations | - | 15,778 | - | - | 15,778 |
| Unassigned | (5,949) | - | - | - | (5,949) |
| Total Fund Balances | <u>(4,349)</u> | <u>16,478</u> | <u>1,147,430</u> | <u>-</u> | <u>1,159,559</u> |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | <u>\$ 62,553</u> | <u>\$ 21,102</u> | <u>\$ 1,330,532</u> | <u>\$ -</u> | |
| Amounts reported for governmental activities in the statement of net position are different because: | | | | | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | | | | | |
| Capital Assets, Not Being Depreciated | | | | | 6,381,239 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. | | | | | |
| Bonds Payable | | | | | (9,613,952) |
| Accrued Interest on Bonds Payable | | | | | (314,444) |
| Developer Advance Payable | | | | | (232,821) |
| Accrued Interest on Developer Advance | | | | | (9,566) |
| Net Position of Governmental Activities | | | | | <u>\$ (2,629,985)</u> |

See accompanying Notes to Basic Financial Statements.

SABELL METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2021

| | General | Special Revenue | Debt Service | Capital Projects | Total Governmental Fund |
|---|-------------------|--------------------|---------------------|---------------------|-------------------------------|
| REVENUES | | | | | |
| Property Taxes | \$ 24,936 | \$ - | \$ 83,119 | \$ - | \$ 108,055 |
| Specific Ownership Taxes | 1,908 | - | 6,359 | - | 8,267 |
| Operations Fees | - | 1,778 | - | - | 1,778 |
| Transfer Fees | - | 21,000 | - | - | 21,000 |
| Net Investment Income | - | - | 413 | 472 | 885 |
| Total Revenues | 26,844 | 22,778 | 89,891 | 472 | 139,985 |
| EXPENDITURES | | | | | |
| General: | | | | | |
| Accounting | 25,991 | - | - | 3,380 | 29,371 |
| Audit | 4,700 | - | - | - | 4,700 |
| County Treasurer's Fees | 374 | - | 1,247 | - | 1,621 |
| District Management | - | 6,000 | - | - | 6,000 |
| Dues and Licenses | 382 | - | - | - | 382 |
| Engineering | - | - | - | 7,132 | 7,132 |
| Insurance | 3,554 | - | - | - | 3,554 |
| Legal Services | 40,137 | - | - | - | 40,137 |
| Miscellaneous | - | 300 | - | - | 300 |
| Debt Service: | | | | | |
| Bond Interest - Series 2020A | - | - | 369,750 | - | 369,750 |
| Paying Agent Fees | - | - | 7,000 | - | 7,000 |
| Capital Projects: | | | | | |
| Capital Outlay | - | - | - | 2,336,161 | 2,336,161 |
| Total Expenditures | 75,138 | 6,300 | 377,997 | 2,346,673 | 2,806,108 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (48,294) | 16,478 | (288,106) | (2,346,201) | (2,666,123) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Developer Advance | 40,458 | - | - | 2,340,703 | 2,381,161 |
| Repay Developer Advance | - | - | - | (3,465,297) | (3,465,297) |
| | - | - | - | (19,836) | (19,836) |
| Total Other Financing Sources (Uses) | 40,458 | - | - | (1,144,430) | (1,103,972) |
| NET CHANGE IN FUND BALANCES | (7,836) | 16,478 | (288,106) | (3,490,631) | (3,770,095) |
| Fund Balances - Beginning of Year | 3,487 | - | 1,435,536 | 3,490,631 | 4,929,654 |
| FUND BALANCES - END OF YEAR | <u>\$ (4,349)</u> | <u>\$ 16,478</u> | <u>\$ 1,147,430</u> | <u>\$ -</u> | <u>\$ 1,159,559</u> |

See accompanying Notes to Basic Financial Statements.

**SABELL METROPOLITAN DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021**

Net Change in Fund Balances - Total Governmental Funds \$ (3,770,095)

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

Governmental funds report capital outlays as expenditures. In the statement of activities, capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation/amortization expense the allocation of the cost of any depreciable asset over the estimated useful life of the asset.

Capital Outlay - Current Year 2,336,161

The issuance of long-term debt (e.g., Bonds, Developer advances) 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.

Developer Advances (2,381,161)

Repayment of Developer Advance 3,485,133

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.

Amortization of Bond Premium 19,308

Accrued Interest on Developer Advance - Change in Liability (23,734)

Accrued Interest on Bonds - Change in Liability (160,018)

Change in Net Position of Governmental Activities \$ (494,406)

**SABELL METROPOLITAN DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2021**

| | Budget | | Actual | Variance with |
|---|-----------------|-----------------|-------------------|--|
| | Original | Final | Amounts | Final Budget Positive (Negative) |
| REVENUES | | | | |
| Property Taxes | \$ 24,935 | \$ 24,935 | \$ 24,936 | \$ 1 |
| Specific Ownership Taxes | 1,745 | 1,745 | 1,908 | 163 |
| Total Revenues | 26,680 | 26,680 | 26,844 | 164 |
| EXPENDITURES | | | | |
| Accounting | 30,000 | 30,000 | 25,991 | 4,009 |
| Auditing | 5,000 | 5,000 | 4,700 | 300 |
| County Treasurer's Fees | 374 | 374 | 374 | - |
| Contingency | 1,626 | 17,126 | - | 17,126 |
| Dues and Licenses | 500 | 500 | 382 | 118 |
| Insurance | 2,500 | 2,500 | 3,554 | (1,054) |
| Legal Services | 35,000 | 35,000 | 40,137 | (5,137) |
| Total Expenditures | 75,000 | 90,500 | 75,138 | 15,362 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (48,320) | (63,820) | (48,294) | 15,526 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Developer Advance | 56,000 | 71,500 | 40,458 | (31,042) |
| Transfer to Other Funds | (6,500) | (6,500) | - | 6,500 |
| Total Other Financing Sources (Uses) | 49,500 | 65,000 | 40,458 | (24,542) |
| NET CHANGE IN FUND BALANCE | 1,180 | 1,180 | (7,836) | (9,016) |
| Fund Balance - Beginning of Year | 100 | 100 | 3,487 | 3,387 |
| FUND BALANCE - END OF YEAR | <u>\$ 1,280</u> | <u>\$ 1,280</u> | <u>\$ (4,349)</u> | <u>\$ (5,629)</u> |

See accompanying Notes to Basic Financial Statements.

**SABELL METROPOLITAN DISTRICT
SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2021**

| | Original and Final Budget | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|---------------------------------|-------------------|---|
| REVENUES | | | |
| Operations Fees | \$ 13,320 | \$ 1,778 | \$ (11,542) |
| Transfer Fees | 44,400 | 21,000 | (23,400) |
| Total Revenues | 57,720 | 22,778 | (34,942) |
| EXPENDITURES | | | |
| District Management | 22,400 | 6,000 | 16,400 |
| Landscaping | 10,000 | - | 10,000 |
| Miscellaneous | 500 | 300 | 200 |
| Repairs and Maintenance | 4,500 | - | 4,500 |
| Snow Removal | 10,000 | - | 10,000 |
| Trash Removal | 10,000 | - | 10,000 |
| Utilities | 5,000 | - | 5,000 |
| Total Expenditures | 62,400 | 6,300 | 56,100 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (4,680) | 16,478 | 21,158 |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfer from Other Funds | 6,500 | - | (6,500) |
| Total Other Financing Sources (Uses) | 6,500 | - | - |
| NET CHANGE IN FUND BALANCE | 1,820 | 16,478 | 14,658 |
| Fund Balance - Beginning of Year | - | - | - |
| FUND BALANCE - END OF YEAR | <u>\$ 1,820</u> | <u>\$ 16,478</u> | <u>\$ 14,658</u> |

See accompanying Notes to Basic Financial Statements.

**SABELL METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 DEFINITION OF REPORTING ENTITY

Sabell Metropolitan District (the District), a quasi-municipal corporation and a political subdivision of the state of Colorado, was organized by order and decree of the District Court in and for Jefferson County, Colorado on January 24, 2019, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District was organized as Sabell Metropolitan District No. 1, and subsequently on December 12, 2019, pursuant to an order of the District Court for the County of Jefferson, the District's name was changed to Sabell Metropolitan District.

At a special election of the eligible electors of the District held on November 6, 2018, a majority of those qualified to vote voted in favor of certain ballot questions authorizing the issuance of indebtedness and imposition of taxes for the payment thereof, for the purpose of providing financing for the acquisition, construction, installation, and completion of certain public improvements.

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

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Government-Wide and Fund Financial Statements

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

**SABELL METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

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

Separate financial statements are provided for the governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. The District has 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 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 Special Revenue Fund is used to account for Operations Fees received and expenditures incurred in connection with operations and maintenance of the District.

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

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

**SABELL METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall 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 amended its annual budget for the year ended December 31, 2021.

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.

Property Taxes

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

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

Capital Assets

Capital assets, which include infrastructure assets, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Capital assets which are anticipated to be conveyed to other governmental entities are recorded as construction in progress and are not included in the calculation of the net investment in capital assets component of the District's net position.

**SABELL METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

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 two items that qualify for reporting in this category. Accordingly, the items, deferred property tax revenue and unearned revenues, are deferred and recognized as inflows of resources in the period that the amounts become available.

Equity

Net Position

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

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.

**SABELL METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity (Continued)

Fund Balance (Continued)

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.

Deficits

The General Fund reported a deficit in the fund financial statements as of December 31, 2021. The deficit will be eliminated with the receipt of funds advanced by the Developer in 2022.

NOTE 3 CASH AND INVESTMENTS

Cash and investments as of December 31, 2021, are classified in the accompanying financial statements as follows:

Statement of Net Position:

| | |
|-----------------------------------|---------------------|
| Cash and Investments | \$ 21,462 |
| Cash and Investments - Restricted | 1,148,634 |
| Total Cash and Investments | <u>\$ 1,170,096</u> |

Cash and investments as of December 31, 2021, consist of the following:

| | |
|--------------------------------------|---------------------|
| Deposits with Financial Institutions | \$ 103,897 |
| Investments | 1,066,199 |
| Total Cash and Investments | <u>\$ 1,170,096</u> |

Cash Deposits

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.

**SABELL METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Cash Deposits (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.

At December 31, 2021, the District's cash deposits had a bank balance and carrying balance of \$98,356.

Investments

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

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

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

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 of the World Bank
- . Certain international agency securities
- . 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 collateralized by certain authorized securities
- . Certain money market funds
- . Guaranteed investment contracts
- * Local government investment pools

As of December 31, 2021, the District had the following investments:

| <u>Investment</u> | <u>Maturity</u> | <u>Amount</u> |
|--|-----------------------------------|---------------------|
| Colorado Surplus Asset Fund Trust (CSAFE) | Weighted-Average Under 60 Days | <u>\$ 1,066,199</u> |

**SABELL METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 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 using the amortized cost method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

NOTE 4 CAPITAL ASSETS

An analysis of the changes in the District's capital assets for the year ended December 31, 2021, follows:

| | Balance - December 31, 2020 | Additions | Reductions | Balance - December 31, 2021 |
|--|-----------------------------------|---------------------|-------------|-----------------------------------|
| Governmental Type Activities: | | | | |
| Capital Assets, Not Being | | | | |
| Depreciated: | | | | |
| Construction in Progress | \$ 4,045,078 | \$ 2,336,161 | \$ - | \$ 6,381,239 |
| Total Capital Assets, Not Being Depreciated | <u>\$ 4,045,078</u> | <u>\$ 2,336,161</u> | <u>\$ -</u> | <u>\$ 6,381,239</u> |

**SABELL METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 5 LONG-TERM OBLIGATIONS

The following is an analysis of changes in the District's long-term obligations for the year ended December 31, 2021:

| <u>Governmental Activities</u> | Balance - December 31, 2020 | Additions | Reductions | Balance - December 31, 2021 | Due Within One Year |
|--------------------------------|-----------------------------------|---------------------|---------------------|-----------------------------------|------------------------|
| Bonds Payable: | | | | | |
| Limited Tax General | | | | | |
| Obligation Bonds: | | | | | |
| Series 2020A | \$ 7,395,000 | \$ - | \$ - | \$ 7,395,000 | \$ - |
| Series 2020A - Premium | 422,260 | - | 19,308 | 402,952 | - |
| Series 2020B(3) | 1,816,000 | - | - | 1,816,000 | - |
| Total Bonds Payable | 9,633,260 | - | 19,308 | 9,613,952 | - |
| Other Debts: | | | | | |
| Developer Advances: | | | | | |
| Operational | 90,431 | 40,458 | - | 130,889 | - |
| Capital | 1,226,526 | 2,340,703 | 3,465,297 | 101,932 | - |
| Accrued Interest on | | | | | |
| Developer Advances: | | | | | |
| Operational | 140 | 8,432 | - | 8,572 | - |
| Capital | 5,528 | 15,302 | 19,836 | 994 | - |
| Total | <u>\$ 10,955,885</u> | <u>\$ 2,404,895</u> | <u>\$ 3,504,441</u> | <u>\$ 9,856,339</u> | <u>\$ -</u> |

The details of the District's general obligation bonds outstanding during 2021 are as follows:

Bond Proceeds

The District issued Limited Tax (Convertible to Unlimited Tax) General Obligation Bonds, Series 2020A on March 5, 2020, in the par amount of \$7,395,000 (the Senior Bonds). The District also issued Subordinate Limited Tax General Obligation Bonds, Series 2020B(3) on March 5, 2020, in the par amount of \$1,816,000 (the Subordinate Bonds). Proceeds from the sale of the Senior Bonds were used to: (i) finance public improvements related to the Development; (ii) fund capitalized interest on the Senior Bonds; (iii) partially fund the Senior Surplus Fund; and (iv) pay the costs of issuance of the Senior Bonds and certain costs of issuance of the Subordinate Bonds. Proceeds from the sale of the Subordinate Bonds were used to finance additional public improvements related to the Development.

Senior Bonds Details

The Senior Bonds bear interest at 5.0%, payable semi-annually to the extent of Senior Pledged Revenue available on June 1 and December 1 (Interest Payment Dates), beginning on June 1, 2020. Annual mandatory sinking fund principal payments are due on December 1, beginning on December 1, 2024. The Bonds mature on December 1, 2050. To the extent principal of any Senior Bond is not paid when due, such principal shall remain outstanding until paid and shall continue to bear interest at the rate then borne by the Senior Bond. To the extent interest on any Senior Bond is not paid when due, such interest shall compound on each Interest Payment Date at the rate then borne by the Senior Bonds. Any amount of unpaid principal of or interest on the 2020A Senior Bonds shall be deemed discharged on December 2, 2060.

**SABELL METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Senior Pledged Revenue

The Senior Bonds are secured by and payable from the Senior Pledged Revenue, which means the moneys derived by the District from the following sources, net of any costs of collection and any property tax refunds or abatements authorized by or on behalf of the County: (a) the Senior Required Mill Levy; (b) the portion of the Specific Ownership Tax which is collected as a result of imposition of the Senior Required Mill Levy; and (c) any other legally available moneys which the District determines, in its absolute discretion, to transfer to the Trustee for application as Senior Pledged Revenue.

Senior Required Mill Levy

Pursuant to the Senior Indenture, prior to the Conversion Date the District has covenanted to impose a Senior Required Mill Levy on all taxable property of the District each year in an amount sufficient pay the Senior Bonds as they come due, but (i) not in excess of 50 mills (subject to adjustment for changes in the method of calculating assessed valuation occurring after January 1, 2017), and (ii) for so long as the Senior Surplus Fund is required to be maintained and the amount on deposit therein is less than the Maximum Surplus Amount, not less than 50 mills (subject to adjustment), or such lesser mill levy which will pay the Senior Bonds as they come due and will fund the Senior Surplus Fund up to the Maximum Surplus Amount.

On and after the Conversion Date, the Senior Required Mill Levy will be an ad valorem mill levy imposed upon all taxable property of the District each year in an amount sufficient to pay the principal of, premium if any, and interest on the Bonds as the same become due and payable and, without limitation of rate and in amounts sufficient to make such payments and replenishments when due. Conversion Date means the date that the Debt to Assessed Ratio is 50% or less and no payments of principal or interest on the Bonds are past due and the amount on deposit in the Senior Surplus Fund is not less than the initial deposit in the Senior Surplus Fund.

Senior Bonds Optional Redemption

The Senior Bonds are subject to redemption prior to maturity, at the option of the District, on March 1, 2025, and on any date thereafter, upon payment of par, accrued interest, and a redemption premium equal to a percentage of the principal amount so redeemed as follows:

| <u>Date of Redemption</u> | <u>Redemption Premium</u> |
|-------------------------------------|-------------------------------|
| March 1, 2025, to February 28, 2026 | 3.00% |
| March 1, 2026, to February 28, 2027 | 2.00 |
| March 1, 2027, to February 28, 2028 | 1.00 |
| March 1, 2028, and thereafter | 0.00 |

**SABELL METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Additional Security for Senior Bonds

The Senior Surplus Fund was partially funded from Senior Bond proceeds in the amount of \$575,000. Prior to the Conversion Date, excess Senior Pledged Revenue in any year will be deposited to and held in the Senior Surplus Fund, up to the Maximum Senior Surplus Amount of \$1,479,000. Per the Senior Indenture, the Senior Surplus Fund will be terminated on the Conversion Date and any moneys therein applied to the payment of the Subordinate Bonds and thereafter, to any legal purpose of the District. The balance in the Senior Surplus Fund as of December 31, 2021, is \$576,795.

Subordinate Bonds Details

The Subordinate Bonds bear interest at a rate of 8.25% per annum and are structured as "cash flow" bonds, meaning that no regularly scheduled payments of principal are due on the Subordinate Bonds prior to their maturity date. Instead, principal is payable on each December 15 from the available Subordinate Pledged Revenue, if any, pursuant to a mandatory redemption. Interest on the Subordinate Bonds is payable on each December 15, commencing December 15, 2020, to the extent of the Subordinate Pledged Revenue and accrued unpaid interest on the Subordinate Bonds will compound annually on each December 15 until sufficient Subordinate Pledged Revenue is available for payment. Payment of principal of and interest on the Subordinate Bonds is subordinate to the annual payment of debt service on the Senior Bonds and to the funding of the Senior Surplus Fund. In the event that any amount of principal of or interest on the Subordinate Bonds remains unpaid on December 16, 2060, the Subordinate Bonds will be deemed discharged.

Subordinate Bonds Optional Redemption

The Subordinate Bonds are subject to redemption prior to maturity, at the option of the District, on March 1, 2025, and on any date thereafter, upon payment of par, accrued interest, and a redemption premium equal to a percentage of the principal amount so redeemed, as follows:

| <u>Date of Redemption</u> | <u>Redemption Premium</u> |
|-------------------------------------|-------------------------------|
| March 1, 2025, to February 28, 2026 | 3.00% |
| March 1, 2026, to February 28, 2027 | 2.00 |
| March 1, 2027, to February 28, 2028 | 1.00 |
| March 1, 2028, and thereafter | 0.00 |

Subordinate Pledged Revenue

The Subordinate Bonds are secured by and payable solely from and to the extent of Subordinate Pledged Revenue, net of any costs of collection and any property tax refunds or abatements authorized by or on behalf of the County, which includes: (a) the Subordinate Required Mill Levy; (b) the portion of the Specific Ownership Tax resulting from the Subordinate Required Mill Levy; (c) the amounts, if any, in the Senior Surplus Fund released to the District pursuant to the Senior Indenture; and (d) any other legally available moneys which the District determines, in its absolute discretion, to transfer to the Trustee for application as Subordinate Pledged Revenue.

**SABELL METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Subordinate Pledged Revenue (Continued)

Pursuant to the Subordinate Indenture, the District has covenanted to impose a Subordinate Required Mill Levy in the amount of (i) 50 mills (subject to adjustment for changes in the method of calculating assessed valuation occurring after January 1, 2017) less the Senior Bond Required Mill Levy. It is the intent that if the amount of the Senior Required Mill Levy equals or exceeds 50 mills in any year, adjusted for changes, the Subordinate Required Mill Levy for that year shall be zero.

The outstanding principal and interest of the Senior Bonds are due as follows:

| <u>Year Ending December 31,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------------------|---------------------|---------------------|----------------------|
| 2022 | \$ - | \$ 369,750 | \$ 369,750 |
| 2023 | - | 369,750 | 369,750 |
| 2024 | 15,000 | 369,750 | 384,750 |
| 2025 | 85,000 | 369,000 | 454,000 |
| 2026 | 95,000 | 364,750 | 459,750 |
| 2027 - 2031 | 615,000 | 1,744,000 | 2,359,000 |
| 2032 - 2036 | 925,000 | 1,560,500 | 2,485,500 |
| 2037 - 2041 | 1,320,000 | 1,292,250 | 2,612,250 |
| 2042 - 2046 | 1,835,000 | 912,750 | 2,747,750 |
| 2047 - 2050 | 2,505,000 | 364,000 | 2,869,000 |
| Total | <u>\$ 7,395,000</u> | <u>\$ 7,716,500</u> | <u>\$ 15,111,500</u> |

The annual debt service requirements on the Subordinate Bonds are not included in the schedule above since they are payable only from available Subordinate Pledged Revenue.

Authorized Debt

At December 31, 2021, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

| | <u>Authorized November 6, 2018 Election</u> | <u>Authorization Used Series 2020</u> | <u>Remaining at December 31, 2021</u> |
|------------------------------|---|---|---|
| Public Improvements | \$ 300,000,000 | \$ 9,211,000 | \$ 290,789,000 |
| Operations and Maintenance | 30,000,000 | - | 30,000,000 |
| Intergovernmental Agreements | 30,000,000 | - | 30,000,000 |
| Refunding | 300,000,000 | - | 300,000,000 |
| Total | <u>\$ 660,000,000</u> | <u>\$ 9,211,000</u> | <u>\$ 650,789,000</u> |

Pursuant to the Service Plan, the District is permitted to issue bond indebtedness of up to \$30,000,000.

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.

**SABELL METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 6 NET POSITION

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. The District had a restricted net position as of December 31, 2021, as follows:

| | |
|-------------------------------|------------------------------------|
| | <u>Governmental Activities</u> |
| Restricted Net Position: | |
| Emergency Reserves | \$ 1,600 |
| Total Restricted Net Position | <u>\$ 1,600</u> |

The District has a deficit in unrestricted net position. This deficit is primarily due to costs of bonds issuance, interest paid on bonds to date, and operating expenses paid by advances from Developer.

NOTE 7 AGREEMENTS

Amended and Restated Intergovernmental Agreement with the City of Arvada

Pursuant to the Amended and Restated Intergovernmental Agreement with the city of Arvada dated December 7, 2020, the District shall dedicate the Public Improvements, as defined in the Service Plan, to the city or other appropriate jurisdiction or owners association in a manner consistent with the approved development plans and other rules and regulations of the city and applicable provisions of the City Code. The District shall be authorized to operate and maintain any part or all of the Public Improvements which are not dedicated to the city or other appropriate jurisdiction, including park and recreation improvements, without the consent of the city, in accordance with the approved development plans. The Agreement also restates and affirms certain of the obligations and limitations set forth in the District's Service Plan.

Further, the District agreed to fund \$1,174,787 (Regional Contribution), towards regionally significant improvements associated with the impacts to the city of the development within the District. The Regional Contribution was paid from bond proceeds in 2021. The city agreed that it shall use the Regional Contribution to fund Regional Improvements that shall be owned, operated and maintained by a public entity, and shall be limited to sanitation, water, streets, safety protection, fire protection, parks and recreation, transportation, and mosquito control improvements and facilities.

**SABELL METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 8 RELATED PARTIES

The property within the District is being developed by Ridge Road Capital Investment LLC (Developer). During 2021, all of the members of the Board of Directors were officers or employees of, or otherwise associated with the Developer, and may have conflicts of interest in matters involving the District.

Public Improvement Acquisition and Reimbursement Agreement

The District and the Developer entered into a Public Improvement Acquisition and Reimbursement Agreement on November 13, 2019. Pursuant to the Agreement, the District and the Developer acknowledge that the District is authorized to construct, acquire and install public improvements and other facilities and services that benefit the Property, subject to the limitations set forth in the Service Plan and the Special District Act.

Pursuant to the Agreement, the obligations of the District in this Agreement are subject to annual appropriation and shall not be deemed to be multiple fiscal year obligations for the purposes of Article X, Section 20 of the Colorado Constitution, and may not exceed amounts permitted by the District's electoral authorization and Service Plan. The District's obligations under this Agreement shall terminate at the earlier of the repayment in full of the Certified District Eligible Costs or twenty (20) years from the execution date. The District agrees to reimburse the Developer for certified construction costs related to public improvements together within simple interest that shall accrue on amounts reimbursable to the Developer under the Agreement, until paid, at the rate of eight percent (8%) per annum. Prior to reimbursement, the Developer is required to provide certain materials to the District for review. Following receipt of such materials the District's accountant and engineer shall review the materials to substantiate the costs and issue a cost certification to the District. No payment is due until the District has adopted an Acceptance Resolution.

As of December 31, 2021, outstanding advances under this Agreement totaled \$101,932 and accrued interest totaled \$994.

Funding and Reimbursement Agreement (Operations and Maintenance)

The District and the Developer entered into a Funding and Reimbursement Agreement on November 13, 2019, for the purpose of funding operations and maintenance costs. The Developer agreed to loan to the District one or more sums of money, not to exceed an aggregate of \$200,000 through December 31, 2021. Thereafter, the Developer may agree to renew its obligations by providing written notice thereof to the District, in which case the termination date shall be amended to the date provided in such notice, which date shall not be earlier than December 31 of the succeeding year.

**SABELL METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 8 RELATED PARTIES (CONTINUED)

Funding and Reimbursement Agreement (Operations and Maintenance) (Continued)

Pursuant to the Agreement, the obligations of the District in this Agreement are subject to annual appropriation and shall not be deemed to be multiple fiscal year obligations for the purposes of Article X, Section 20 of the Colorado Constitution, and may not exceed amounts permitted by the District's electoral authorization and Service Plan. The District's obligations under this Agreement shall terminate at the earlier of the repayment in full of the Certified District Eligible Costs or twenty (20) years from the execution date. With respect to each loan advance made under this agreement prior to the issuance of any Reimbursement Obligation reflecting such advance, the interest rate shall be 8% per annum, from the date any such advance is made, simple interest, to the earlier of the date the Reimbursement Obligation is issued to evidence such advance, or the date of repayment of such amount.

As of December 31, 2021, outstanding advances under this Agreement totaled \$130,889 and accrued interest totaled \$8,572.

NOTE 9 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.

**SABELL METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 10 TAX, SPENDING, AND DEBT LIMITATION

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.

On November 6, 2018, the District's voters approved for an annual increase in taxes of \$5,000,000 for general operations and maintenance without limitation of rate. This election question allowed the District to collect and spend the additional revenue without regard to any spending, revenue raising, or other limitations contained within TABOR.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the Emergency Reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

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

**SABELL METROPOLITAN DISTRICT
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2021**

| | Original and Final Budget | Actual Amounts | Variance with Final Budget Positive (Negative) |
|-----------------------------------|---------------------------------|---------------------|---|
| REVENUES | | | |
| Property Taxes | \$ 83,117 | \$ 83,119 | \$ 2 |
| Specific Ownership Taxes | 5,818 | 6,359 | 541 |
| Net Investment Income | 3,000 | 413 | (2,587) |
| Total Revenues | 91,935 | 89,891 | (2,044) |
| EXPENDITURES | | | |
| County Treasurer's Fees | 1,247 | 1,247 | - |
| Contingency | 6,003 | - | 6,003 |
| Bond Interest - Series 2020A | 369,750 | 369,750 | - |
| Paying Agent Fees | 3,000 | 7,000 | (4,000) |
| Total Expenditures | 380,000 | 377,997 | 2,003 |
| NET CHANGE IN FUND BALANCE | (288,065) | (288,106) | (41) |
| Fund Balance - Beginning of Year | 1,436,875 | 1,435,536 | (1,339) |
| FUND BALANCE - END OF YEAR | <u>\$ 1,148,810</u> | <u>\$ 1,147,430</u> | <u>\$ (1,380)</u> |

**SABELL METROPOLITAN DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2021**

| | Original and Final Budget | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|---------------------------------|-------------------|---|
| REVENUES | | | |
| Net Investment Income | \$ 6,000 | \$ 472 | \$ (5,528) |
| Total Revenues | 6,000 | 472 | (5,528) |
| EXPENDITURES | | | |
| Accounting | - | 3,380 | (3,380) |
| Capital Outlay | 3,500,000 | 2,336,161 | 1,163,839 |
| Regional Contribution | 1,174,787 | - | 1,174,787 |
| Engineering | 10,000 | 7,132 | 2,868 |
| Total Expenditures | 4,684,787 | 2,346,673 | 2,338,114 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (4,678,787) | (2,346,201) | 2,332,586 |
| OTHER FINANCING SOURCES (USES) | | | |
| Developer Advance | 3,500,000 | 2,340,703 | (1,159,297) |
| Repay Developer Advance | (3,477,815) | (3,465,297) | 12,518 |
| Repay Developer Advance Interest | - | (19,836) | (19,836) |
| Total Other Financing Sources (Uses) | 22,185 | (1,144,430) | (1,166,615) |
| NET CHANGE IN FUND BALANCE | (4,656,602) | (3,490,631) | 1,165,971 |
| Fund Balance - Beginning of Year | 4,656,602 | 3,490,631 | (1,165,971) |
| FUND BALANCE - END OF YEAR | \$ - | \$ - | \$ - |

OTHER INFORMATION

**SABELL METROPOLITAN DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
DECEMBER 31, 2021**

| \$7,395,000 General Obligation Limited Tax Bonds Series 2020A Senior Bond Issue, Dated March 5, 2020 Interest Rate 5.000% | | | |
|---|---------------------|---------------------|----------------------|
| Interest Payable June 1 and December 1 | | | |
| <u>Year Ended December 31,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2022 | \$ - | \$ 369,750 | \$ 369,750 |
| 2023 | - | 369,750 | 369,750 |
| 2024 | 15,000 | 369,750 | 384,750 |
| 2025 | 85,000 | 369,000 | 454,000 |
| 2026 | 95,000 | 364,750 | 459,750 |
| 2027 | 100,000 | 360,000 | 460,000 |
| 2028 | 115,000 | 355,000 | 470,000 |
| 2029 | 120,000 | 349,250 | 469,250 |
| 2030 | 135,000 | 343,250 | 478,250 |
| 2031 | 145,000 | 336,500 | 481,500 |
| 2032 | 160,000 | 329,250 | 489,250 |
| 2033 | 170,000 | 321,250 | 491,250 |
| 2034 | 185,000 | 312,750 | 497,750 |
| 2035 | 195,000 | 303,500 | 498,500 |
| 2036 | 215,000 | 293,750 | 508,750 |
| 2037 | 225,000 | 283,000 | 508,000 |
| 2038 | 250,000 | 271,750 | 521,750 |
| 2039 | 260,000 | 259,250 | 519,250 |
| 2040 | 285,000 | 246,250 | 531,250 |
| 2041 | 300,000 | 232,000 | 532,000 |
| 2042 | 325,000 | 217,000 | 542,000 |
| 2043 | 340,000 | 200,750 | 540,750 |
| 2044 | 370,000 | 183,750 | 553,750 |
| 2045 | 385,000 | 165,250 | 550,250 |
| 2046 | 415,000 | 146,000 | 561,000 |
| 2047 | 435,000 | 125,250 | 560,250 |
| 2048 | 470,000 | 103,500 | 573,500 |
| 2049 | 495,000 | 80,000 | 575,000 |
| 2050 | 1,105,000 | 55,250 | 1,160,250 |
| Total | <u>\$ 7,395,000</u> | <u>\$ 7,716,500</u> | <u>\$ 15,111,500</u> |

SABELL METROPOLITAN DISTRICT
SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED
DECEMBER 31, 2021

| 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 | Levied | Collected | |
| 2020 | \$ 286 | 72.363 | 0.000 | \$ 21 | \$ 21 | 100.00 % |
| 2021 | 1,493,200 | 16.699 | 55.664 | 108,052 | 108,055 | 100.00 |
| Estimated for the Year Ending December 31, 2022 | \$ 3,289,422 | 16.699 | 55.664 | \$ 238,032 | | |