

Douglas County Special Districts  
Annual Report and Disclosure Form

Name of the District	Sterling Ranch Colorado Metropolitan District No. 2; The organizational date for this District is December 10, 2013.		
Report for Calendar Year	2021		
(i) Annual Budget	The District's 2022 Adopted Budget and is attached (see <b>Exhibit A</b> ).		
(ii) Annual Construction Schedule; Reconciliation of the Capital Improvement Program for Completion of the Improvements in the Following Two (2) Years	No construction by the District took place in 2021, however the Sterling Ranch Community Authority Board ("CAB"), of which the District is a member, undertook significant construction activity in 2021, including water, sewer, street, and park and recreation improvements.		
(iii) Audited Financial Statements	The District's 2021 Audit is attached (see <b>Exhibit B</b> ). The CAB has filed audited financial statements for 2021 with the State Auditor.		
(iv) Total Debt Authorized; Total Debt Issued; Remaining Debt Authorized and Intended to be Issued	The District has \$23,400,000,000 in total debt authorization. The Service Plans for Sterling Ranch Colorado Metropolitan Districts 1-7 ("Districts") limit the aggregate amount of debt that the Districts can issue to \$1,800,000,000. No debt has yet been issued by the District. The CAB issued \$21,500,000 in Limited Tax Supported Revenue Senior Bonds and \$2,090,000 in Limited Tax Supported Revenue Subordinate Bonds in 2015 (refunded by the 2020A and 2020B bond series). In 2016, the CAB issued \$84,000,000 in Taxable Subordinate Limited Revenue Promissory Note, Series 2016, and \$21,000,000 in Taxable Subordinate Limited Service Fee Revenue Promissory Note, Series 2016. In 2017, the CAB issued \$75,030,000 in Limited Tax Supported Revenue Senior Bonds and \$14,090,000 in Limited Tax Supported Revenue Subordinate Bonds. In 2019, the CAB issued \$27,616,932 in Limited Tax Supported District Nos. 1 – 7 Junior Subordinate Series 2019A Bonds. In 2020, the CAB issued \$35,555,000 in Limited Tax Supported District No. 2 Refunding and Improvement Senior Bonds Series 2020A and \$4,445,000 Limited Tax Supported District No. 2 Subordinate Bonds Series 2020B.		
(v) Names, Terms and Officers of the Board of Directors	<b>Name</b>	<b>Title</b>	<b>Term Expires</b>
	Janeen McDonald	President	May 2023
	Marissa Goldberg	Vice President/Ass. Secretary	May 2023
	Alex Taylor	Secretary/Treasurer	May 2025
	Samuel Johnson	Assistant Secretary	May 2025
	Matt Collins	Assistant Secretary	May 2023

<p><b>(vi)</b> Bylaw, Rules and Regulations Regarding Bidding, Conflict of Interest, Contracting and Other Governance Matters</p>	<p>The District currently has no bylaws or rules and regulations regarding governance matters, but the CAB has adopted rules and regulations regarding water and sewer service fees and charges.</p>
<p><b>(vii)</b> Current Intergovernmental Agreements and Amendments</p>	<p>The District entered into an intergovernmental agreement in 2017 amending its rules and regulations and was provided previously with the 2017 Annual Report. The CAB, of which the District is a member, entered in a number of Intergovernmental Agreements in 2021 with Douglas County concerning various developmental matters.</p>
<p><b>(viii)</b> Summary of All Current Contracts for Services Related to Construction</p>	<p>The District did not enter into any contracts for services related to construction in 2021, but the CAB contracted for significant construction activity in 2021.</p>
<p><b>(ix)</b> Current Approved Service Plan and Any Amendments</p>	<p>The District's Service Plan (approved August 27, 2013) was not amended in 2021</p>

**EXHIBIT A**  
**2022 Adopted Budget**

**STERLING RANCH COLORADO METROPOLITAN DISTRICT NO. 2**

**ANNUAL BUDGET**

**FOR THE YEAR ENDING DECEMBER 31, 2022**

**STERLING RANCH COLORADO METROPOLITAN DISTRICT NO. 2**  
**SUMMARY**  
**2022 BUDGET**  
**WITH 2020 ACTUAL AND 2021 ESTIMATED**  
**For the Years Ended and Ending December 31,**

1/12/22

	ACTUAL 2020	ESTIMATED 2021	BUDGET 2022
BEGINNING FUND BALANCES	\$ -	\$ -	\$ -
REVENUES			
Property taxes	2,112,567	2,702,948	3,195,765
Specific ownership taxes	182,285	267,200	255,661
Interest income	738	686	-
Total revenues	<u>2,295,590</u>	<u>2,970,834</u>	<u>3,451,426</u>
TRANSFERS IN	<u>-</u>	<u>-</u>	<u>-</u>
Total funds available	<u>2,295,590</u>	<u>2,970,834</u>	<u>3,451,426</u>
EXPENDITURES			
General Fund	860,840	1,114,055	1,294,275
Debt Service Fund	1,434,750	1,856,779	2,157,151
Total expenditures	<u>2,295,590</u>	<u>2,970,834</u>	<u>3,451,426</u>
TRANSFERS OUT	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures and transfers out requiring appropriation	<u>2,295,590</u>	<u>2,970,834</u>	<u>3,451,426</u>
ENDING FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**STERLING RANCH COLORADO METROPOLITAN DISTRICT NO. 2**  
**PROPERTY TAX SUMMARY INFORMATION**  
**2022 BUDGET**  
**WITH 2020 ACTUAL AND 2021 ESTIMATED**  
**For the Years Ended and Ending December 31,**

1/12/22

	ACTUAL 2020	ESTIMATED 2021	BUDGET 2022
<b>ASSESSED VALUATION</b>			
Residential	\$ 16,350,480	\$ 26,988,920	\$ 35,229,900
Commercial	211,860	208,750	61,570
State assessed	201,200	403,300	554,400
Vacant land	6,964,250	2,747,360	35,870
Natural Resources	270	730	730
Certified Assessed Value	\$ 23,728,060	\$ 30,349,060	\$ 35,882,470
 <b>MILL LEVY</b>			
General	33.398	33.398	33.398
Debt Service	55.664	55.664	55.664
Total mill levy	89.062	89.062	89.062
 <b>PROPERTY TAXES</b>			
General	\$ 792,470	\$ 1,013,598	\$ 1,198,403
Debt Service	1,320,799	1,689,350	1,997,362
Adjustments to Actual/Rounding	(701)	-	-
Levied property taxes	2,112,567	2,702,948	3,195,765
Budgeted property taxes	\$ 2,112,567	\$ 2,702,948	\$ 3,195,765
 <b>BUDGETED PROPERTY TAXES</b>			
General	\$ 792,207	\$ 1,013,598	\$ 1,198,403
Debt Service	1,320,360	1,689,350	1,997,362
	\$ 2,112,567	\$ 2,702,948	\$ 3,195,765

**STERLING RANCH COLORADO METROPOLITAN DISTRICT NO. 2**  
**GENERAL FUND**  
**2022 BUDGET**  
**WITH 2020 ACTUAL AND 2021 ESTIMATED**  
**For the Years Ended and Ending December 31,**

1/12/22

	ACTUAL 2020	ESTIMATED 2021	BUDGET 2022
BEGINNING FUND BALANCE	\$ -	\$ -	\$ -
REVENUES			
Property taxes	792,207	1,013,598	1,198,403
Specific ownership taxes	68,356	100,200	95,872
Interest income	277	257	-
Total revenues	<u>860,840</u>	<u>1,114,055</u>	<u>1,294,275</u>
Total funds available	<u>860,840</u>	<u>1,114,055</u>	<u>1,294,275</u>
EXPENDITURES			
General and administrative			
County Treasurer's fee	11,887	15,204	17,976
Transfers to CAB	848,953	1,098,851	1,276,299
Total expenditures	<u>860,840</u>	<u>1,114,055</u>	<u>1,294,275</u>
Total expenditures and transfers out requiring appropriation	<u>860,840</u>	<u>1,114,055</u>	<u>1,294,275</u>
ENDING FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**STERLING RANCH COLORADO METROPOLITAN DISTRICT NO. 2**  
**DEBT SERVICE FUND**  
**2022 BUDGET**  
**WITH 2020 ACTUAL AND 2021 ESTIMATED**  
**For the Years Ended and Ending December 31,**

1/12/22

	ACTUAL 2020	ESTIMATED 2021	BUDGET 2022
BEGINNING FUND BALANCE	\$ -	\$ -	\$ -
REVENUES			
Property taxes	1,320,360	1,689,350	1,997,362
Specific ownership taxes	113,929	167,000	159,789
Interest income	461	429	-
Total revenues	<u>1,434,750</u>	<u>1,856,779</u>	<u>2,157,151</u>
Total funds available	<u>1,434,750</u>	<u>1,856,779</u>	<u>2,157,151</u>
EXPENDITURES			
General and administrative			
County Treasurer's fee	19,812	25,340	29,960
Transfers to CAB	1,414,938	1,831,439	2,127,191
Total expenditures	<u>1,434,750</u>	<u>1,856,779</u>	<u>2,157,151</u>
Total expenditures and transfers out requiring appropriation	<u>1,434,750</u>	<u>1,856,779</u>	<u>2,157,151</u>
ENDING FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



**STERLING RANCH COLORADO METROPOLITAN DISTRICT NO. 2**  
**2022 BUDGET**  
**SUMMARY OF SIGNIFICANT ASSUMPTIONS**

**Services Provided**

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 on December 10, 2013 and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District's service area is located entirely within Douglas County, Colorado.

The District was established to provide for the design, planning, acquisition, construction, financing, relocation, installation, completion, operation, maintenance, and repair or replacement of public improvements and services, including streets, park and recreation, water, sanitary and storm sewer, public transportation, mosquito control, traffic and safety controls, fire protection, and television relay and translation. Under its Service Plan, the District was organized in conjunction with six other related Districts: Sterling Ranch Colorado Metropolitan District Nos. 1 and 3 through 7. Sterling Ranch Colorado Metropolitan District No. 1 serves as a Management District and Sterling Ranch Colorado Metropolitan District Nos. 2 through 7 serve as Financing Districts (collectively, the "Districts"). The Districts entered into a Community Authority Board Establishment Agreement (the "CABEA"), on January 6, 2014, which establishes the Sterling Ranch Community Authority Board (the "CAB"). The CAB will own, operate, and maintain certain public improvements within the boundaries of the Districts.

On November 5, 2013, District voters authorized a total indebtedness of \$21,600,000,000 for the above listed facilities, excluding operations and maintenance, intergovernmental agreements, and debt refunding. In the same election, the District voters approved an annual increase in property taxes of \$50,000,000 (without limitation to rate) and an annual increase in fees and charges of \$50,000,000 (without limitation to rate) to pay operations and maintenance and capital costs. The District voters also authorized the District to collect, receive, retain, and spend the full amount of all taxes and all other revenues in excess of TABOR spending, revenue raising or other limitations. On November 4, 2014, the District voters authorized an additional indebtedness of \$1,800,000,000 for a total for a total indebtedness of \$23,400,000,000.

The Service Plans for District Nos. 1 – 7 limit the aggregate amount of debt that they may issue together with any debt issued by the CAB to \$1,800,000,000.

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

The District prepares its budget on the modified accrual basis of accounting in accordance with the requirements of 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.

**STERLING RANCH COLORADO METROPOLITAN DISTRICT NO. 2**  
**2022 BUDGET**  
**SUMMARY OF SIGNIFICANT ASSUMPTIONS**

**Revenues**

**Property Taxes**

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

The District's Service Plan provides that the District's debt mill levy may be adjusted to consider legislative or constitutionally imposed adjustments in assessed values or the method of their calculation (as of January 13, 2013), so that, to the extent possible, the actual revenues generated are neither diminished nor enhanced as a result of such changes. Among other adjustments, a change in the ratio of actual valuation of assessable property (assessment ratio) shall be deemed a change in the method of calculating assessed valuation. The District's Service Plan further provides that operations mill levy will be set to meet the District's budgetary needs on an annual basis. For collection year 2022, the District's mill levy is 55.664 mills for debt and 33.398 mills for operations.

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

**Specific Ownership Taxes**

Specific ownership taxes are set by the State and collected by the County Treasurer, primarily on vehicle licensing within the County as a whole. The specific ownership taxes are allocated by the County Treasurer to all taxing entities within the County. The budget assumes that the District's share will be equal to approximately 8.00% of the property taxes collected by both the General Fund and Debt Service Fund.

**Expenditures**

**Transfer to CAB**

In connection with the CABEA, the District will transfer property taxes, net of fees, derived from the operations mill levy, together with specific ownership taxes, to the CAB to pay for operations and maintenance expenditures. The District will also transfer property taxes, net of fees, derived from the debt service mill levy, together with specific ownership taxes, to the CAB to pay for the principal and interest on bonds issued by the CAB in 2015 and refunded in 2020, pursuant to a certain Pledge Agreement between the District and the CAB.

**County Treasurer's Fees**

County Treasurer's fees have been computed at 1.50% of property tax collections.

**STERLING RANCH COLORADO METROPOLITAN DISTRICT NO. 2**  
**2022 BUDGET**  
**SUMMARY OF SIGNIFICANT ASSUMPTIONS**

**Debt and Leases**

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

**Reserves**

**Emergency Reserve**

The District did not provide for Emergency Reserves (equal to at least 3.00% of the General Fund's fiscal year spending as defined under TABOR) because net tax revenues will be transferred to the CAB. The CAB will provide for the emergency reserve.

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

**EXHIBIT B**  
**2021 Audit**

**STERLING RANCH COLORADO  
METROPOLITAN DISTRICT NO. 2  
Douglas County, Colorado**


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


**STERLING RANCH COLORADO METROPOLITAN DISTRICT NO. 2  
TABLE OF CONTENTS  
YEAR ENDED DECEMBER 31, 2021**

<b>INDEPENDENT AUDITOR'S REPORT</b>	<b>1</b>
<b>BASIC FINANCIAL STATEMENTS</b>	
<b>GOVERNMENT-WIDE FINANCIAL STATEMENTS</b>	
<b>STATEMENT OF NET POSITION</b>	<b>1</b>
<b>STATEMENT OF ACTIVITIES</b>	<b>2</b>
<b>FUND FINANCIAL STATEMENTS</b>	
<b>BALANCE SHEET – GOVERNMENTAL FUNDS</b>	<b>3</b>
<b>STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN         FUND BALANCES – GOVERNMENTAL FUNDS</b>	<b>4</b>
<b>GENERAL FUND – STATEMENT OF REVENUES, EXPENDITURES, AND         CHANGES IN FUND BALANCE – BUDGET AND ACTUAL</b>	<b>5</b>
<b>NOTES TO BASIC FINANCIAL STATEMENTS</b>	<b>6</b>
<b>SUPPLEMENTARY INFORMATION</b>	
<b>DEBT SERVICE FUND – SCHEDULE OF REVENUES, EXPENDITURES,     AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL</b>	<b>14</b>
<b>OTHER INFORMATION</b>	
<b>SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY     TAXES COLLECTED</b>	<b>16</b>



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## INDEPENDENT AUDITOR'S REPORT

Members of the Board of Directors

Sterling Ranch Colorado Metropolitan District No. 2

### Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Sterling Ranch Colorado Metropolitan District No. 2 (the District) as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Sterling Ranch Colorado Metropolitan District No. 2, as of December 31, 2021, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Sterling Ranch Colorado Metropolitan District No. 2 and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Sterling Ranch Colorado Metropolitan District No. 2's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Sterling Ranch Colorado Metropolitan District No. 2'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 Sterling Ranch Colorado Metropolitan District No. 2'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.

#### **Other Matters**

##### *Required Supplementary Information*

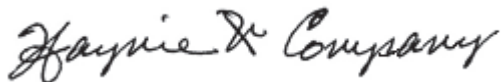
Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required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

##### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sterling Ranch Colorado Metropolitan District No. 2's basic financial statements. The supplementary information section is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

The other information section, as listed in the table of contents, not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.



Littleton, Colorado  
July 27, 2022



## **BASIC FINANCIAL STATEMENTS**

**STERLING RANCH COLORADO METROPOLITAN DISTRICT NO. 2**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2021**

	Governmental Activities
<b>ASSETS</b>	
Receivable from County Treasurer	\$ 18,404
Property Taxes Receivable	3,195,765
Total Assets	3,214,169
<b>LIABILITIES</b>	
Due to CAB	18,404
Total Liabilities	18,404
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred Property Taxes	3,195,765
Total Deferred Inflows of Resources	3,195,765
<b>NET POSITION</b>	
Total Net Position	\$ -

See accompanying Notes to Basic Financial Statements.

**STERLING RANCH COLORADO METROPOLITAN DISTRICT NO. 2**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2021**

		Program Revenues			Net Revenues (Expenses) and Change in Net Position
FUNCTIONS/PROGRAMS	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary Government:					
Governmental Activities:					
General Government	\$ 1,111,818	\$ -	\$ -	\$ -	\$ (1,111,818)
Debt Service	1,853,051	-	-	-	(1,853,051)
Total Governmental Activities	\$ 2,964,869	\$ -	\$ -	\$ -	(2,964,869)
<b>GENERAL REVENUES</b>					
					2,702,950
					260,668
					1,251
					2,964,869
<b>CHANGE IN NET POSITION</b>					
					-
					-
					\$ -

See accompanying Notes to Basic Financial Statements.

**STERLING RANCH COLORADO METROPOLITAN DISTRICT NO. 2  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2021**

	General	Debt Service	Total Governmental Funds
<b>ASSETS</b>			
Receivable from County Treasurer	\$ 6,901	\$ 11,503	\$ 18,404
Property Taxes Receivable	1,198,403	1,997,362	3,195,765
Total Assets	<u>\$ 1,205,304</u>	<u>\$ 2,008,865</u>	<u>\$ 3,214,169</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Due to CAB	\$ 6,901	\$ 11,503	\$ 18,404
Total Liabilities	6,901	11,503	18,404
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Property Taxes	1,198,403	1,997,362	3,195,765
Total Deferred Inflows of Resources	1,198,403	1,997,362	3,195,765
<b>FUND BALANCES</b>			
Total Fund Balances	-	-	-
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,205,304</u>	<u>\$ 2,008,865</u>	<u>\$ 3,214,169</u>

Amounts reported for governmental activities in the statement of net position  
are the same as above.

**STERLING RANCH COLORADO METROPOLITAN DISTRICT NO. 2**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2021**

	General	Debt Service	Total Governmental Funds
<b>REVENUES</b>			
Property Taxes	\$ 1,013,599	\$ 1,689,351	\$ 2,702,950
Specific Ownership Taxes	97,750	162,918	260,668
Interest Income	469	782	1,251
Total Revenues	1,111,818	1,853,051	2,964,869
<b>EXPENDITURES</b>			
County Treasurer's Fee	15,211	25,352	40,563
Transfers to CAB	1,096,607	1,827,699	2,924,306
Total Expenditures	1,111,818	1,853,051	2,964,869
<b>NET CHANGE IN FUND BALANCES</b>	-	-	-
Fund Balances - Beginning of Year	-	-	-
<b>FUND BALANCES - END OF YEAR</b>	\$ -	\$ -	\$ -

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

**STERLING RANCH COLORADO METROPOLITAN DISTRICT NO. 2  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2021**

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property Taxes	\$1,013,598	\$1,013,598	\$1,013,599	\$ 1
Specific Ownership Taxes	81,088	100,200	97,750	(2,450)
Interest Income	-	257	469	212
Other Revenue	-	85,945	-	(85,945)
Total Revenues	<u>1,094,686</u>	<u>1,200,000</u>	<u>1,111,818</u>	<u>(88,182)</u>
<b>EXPENDITURES</b>				
County Treasurer's Fee	15,204	15,204	15,211	(7)
Transfers to CAB	1,079,482	1,098,851	1,096,607	2,244
Contingency	-	85,945	-	85,945
Total Expenditures	<u>1,094,686</u>	<u>1,200,000</u>	<u>1,111,818</u>	<u>88,182</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	-	-	-
Fund Balance - Beginning of Year	-	-	-	-
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying Notes to Basic Financial Statements.

**STERLING RANCH COLORADO METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**NOTE 1 DEFINITION OF REPORTING ENTITY**

Sterling Ranch Colorado Metropolitan District No. 2 (the District), a quasi-municipal corporation and a political subdivision of the state of Colorado, was organized by order and decree of the Douglas County (County) District Court issued on November 25, 2013 and recorded in the County records on December 10, 2013, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District's service area is located entirely within Douglas County, Colorado.

The District was established to provide for the design, planning, acquisition, construction, financing, relocation, installation, completion, operation, maintenance, and repair or replacement of public improvements and services, including streets, park and recreation, water, sanitary and storm sewer, public transportation, mosquito control, traffic and safety controls, fire protection, and television relay and translation. Under its Service Plan, the District was organized in conjunction with seven other related metropolitan districts and their associated subdistricts: Sterling Ranch Colorado Metropolitan District Nos. 1, 3 through 7, Subdistricts 7A and 7B. Sterling Ranch Colorado Metropolitan District No. 1 serves as a Management District and Sterling Ranch Colorado Metropolitan District Nos. 2 through 7, Subdistricts 7A and 7B serve as Financing Districts (collectively, the Districts). The Districts entered into a Community Authority Board Establishment Agreement (the CABEA), on January 6, 2014 (as amended and restated on June 29, 2015 and March 18, 2020), which establishes the Sterling Ranch Community Authority Board (the CAB). The CAB will own, operate, and maintain certain public improvements within the boundaries of the Districts.

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 performed by the CAB pursuant to the CABEA.

**STERLING RANCH COLORADO METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Government-Wide and Fund Financial Statements**

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

The statement of net position reports all financial and capital resources of the District. The difference between the sum of assets and deferred outflows and the sum of liabilities and deferred inflows is reported as net position.

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

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

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes and specific ownership taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is due.



**STERLING RANCH COLORADO METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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

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

The District reports the following major governmental funds:

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

The Debt Service Fund accounts for the resources accumulated and payments made for principal, interest and other related costs on long-term debt of the governmental funds.

**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.

**Property Taxes**

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

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

**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.

**STERLING RANCH COLORADO METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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

**Equity (Continued)**

**Fund Balance**

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

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

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

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

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

*Unassigned Fund Balance* – The residual portion of fund balance that does not meet any of the criteria described above.

If more than one classification of fund balance is available for use when an expenditure is incurred, it is the District's practice to use the most restrictive classification first.

**NOTE 3 CASH AND INVESTMENTS**

**Deposits with Financial Institutions**

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 102% of the aggregate uninsured deposits.

**STERLING RANCH COLORADO METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**NOTE 3 CASH AND INVESTMENTS (CONTINUED)**

**Deposits with Financial Institutions (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 had no cash deposits.

**Investments**

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

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

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

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

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

As of December 31, 2021, the District had no investments.

**NOTE 4 AUTHORIZED DEBT**

On November 5, 2013, the electors for the District authorized the issuance of indebtedness for public improvements and refunding. On November 4, 2014, the electors of the District authorized additional indebtedness for security services and improvements.

**STERLING RANCH COLORADO METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**NOTE 4 AUTHORIZED DEBT (CONTINUED)**

In December 2015, the CAB issued bonds to finance construction of public improvements within the boundaries of the District. In November 2020, the CAB issued bonds to refund the 2015 Bond Issuance and to finance the construction of public improvements. As of December 31, 2021, the District's authorized but unissued debt is \$21,533,159,099.

The Service Plans for the Districts limit the aggregate amount of debt that they may issue together, including debt issued by the CAB, to \$1,800,000,000.

**NOTE 5 AGREEMENTS**

**Pledge Agreement**

The District entered into a Pledge Agreement with the CAB, dated December 1, 2015, and amended on November 1, 2020, under which the District agrees to impose ad valorem property taxes upon all taxable property of the District, and to transfer the revenues generated from such mill levy imposition, along with revenues generated from the imposition of specific ownership taxes, to the CAB for payment of the CAB's Limited Tax Supported District No. 2 Refunding and Improvement Senior Bonds, Series 2020A and Limited Tax Supported District No. 2 Subordinate Bonds, Series 2020B.

**NOTE 6 RELATED PARTIES**

Sterling Ranch LLC (SR LLC) and Sterling Ranch Development Company (Developer) are the owners of or hold options to acquire a significant portion of the properties comprising the service areas of the Districts. SR LLC, the Developer, and Hobbs Investments LLC (Hobbs), a single member LLC for which the Developer is the manager and sole member (collectively with SR LLC and the Developer, the SR Entities) have each advanced funds to the CAB. Members of the Board of Directors of the CAB and Districts may hold direct or indirect ownership interests in the SR Entities or may be otherwise associated with the SR Entities and may have conflicts of interest in dealing with the CAB and the Districts.

**NOTE 7 RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool (the Pool). The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery, and workers' compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

**STERLING RANCH COLORADO METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**NOTE 7 RISK MANAGEMENT (CONTINUED)**

The District pays annual premiums to the Pool for liability, property and public officials' liability coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

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

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

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

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. The District transfers its net operating revenue to the CAB. Therefore, the Emergency Reserves related to the District's revenues are reported in the CAB.

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**

**STERLING RANCH COLORADO METROPOLITAN DISTRICT NO. 2  
DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2021**

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property Taxes	\$ 1,689,350	\$ 1,689,350	\$ 1,689,351	\$ 1
Specific Ownership Taxes	135,148	167,000	162,918	(4,082)
Interest Income	-	429	782	353
Other Income	-	43,221	-	(43,221)
Total Revenues	<u>1,824,498</u>	<u>1,900,000</u>	<u>1,853,051</u>	<u>(46,949)</u>
<b>EXPENDITURES</b>				
County Treasurer's Fee	25,340	25,340	25,352	(12)
Transfers to CAB	1,799,158	1,831,439	1,827,699	3,740
Contingency	-	43,221	-	43,221
Total Expenditures	<u>1,824,498</u>	<u>1,900,000</u>	<u>1,853,051</u>	<u>46,949</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	-	-	-
Fund Balance - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

## **OTHER INFORMATION**



**STERLING RANCH COLORADO METROPOLITAN DISTRICT NO. 2  
SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED  
DECEMBER 31, 2021**

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Tax Levy	Mills Levied		Total Property Taxes		Percent Collected to Levied
		General	Debt Service	Levied	Collected	
2017	\$ 1,750	30.000	45.000	\$ 131	\$ 131	100.00 %
2018	7,496,620	33.166	55.278	663,031	663,033	100.00
2019	11,401,050	33.166	55.278	1,008,354	1,007,658	99.93
2020	23,728,060	33.398	55.664	2,113,269	2,112,567	99.97
2021	30,349,060	33.398	55.664	2,702,948	2,702,950	100.00
Estimated for the Year Ending December 31, 2022	\$ 35,882,470	33.398	55.664	\$ 3,195,765		