

**STONERIDGE METROPOLITAN DISTRICT**  
**Weld County, Colorado**  
**Town of Firestone, Colorado**

**FINANCIAL STATEMENTS**  
**December 31, 2019**

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## SCHILLING & COMPANY, INC.

*Certified Public Accountants*

P.O. Box 631579  
HIGHLANDS RANCH, CO 80163

PHONE: 720.348.1086

FAX: 720.348.2920

### **Independent Auditor's Report**

Board of Directors  
Stoneridge Metropolitan District  
Weld County, Colorado

#### **Report for the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of Stoneridge Metropolitan District (District) as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

#### **Management's Responsibility 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.

#### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## Opinions

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 Stoneridge Metropolitan District, as of December 31, 2019, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Management has omitted the management's discussion and analysis that governmental 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 the District's financial statements as a whole. The supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements.

The supplemental information is the responsibility of management and was derived from and relate 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 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 to 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 supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The other information listed in the table of contents has 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 it.

*SCHILLING & COMPANY, INC.*

Highlands Ranch, Colorado  
July 15, 2020

## **BASIC FINANCIAL STATEMENTS**

**STONERIDGE METROPOLITAN DISTRICT**  
**STATEMENT OF NET POSITION**  
**December 31, 2019**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and investments - unrestricted	\$ 144,325
Cash and investments - restricted	440,956
Due from county treasurer	2,517
Property taxes receivable	350,285
Prepaid expenses	2,015
Prepaid bond insurance	26,442
Total assets	<u>966,540</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred loss on refunding	235,597
Total deferred outflows of resources	<u>235,597</u>
<b>LIABILITIES</b>	
Accounts payable	1,062
Accrued interest on long-term obligations	12,390
Noncurrent liabilities:	
Due within one year	145,000
Due in more than one year	4,614,517
Total liabilities	<u>4,772,969</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred property tax revenue	350,285
Total deferred inflows of resources	<u>350,285</u>
<b>NET POSITION</b>	
Restricted for:	
Emergency reserves	2,400
Debt service	430,657
Unrestricted	(4,354,174)
Total net position	<u>\$ (3,921,117)</u>

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**STONERIDGE METROPOLITAN DISTRICT  
STATEMENT OF ACTIVITIES  
Year Ended December 31, 2019**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Change in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contribution</u>	<u>Capital Grants and Contribution</u>	<u>Governmental Activities</u>
Primary government:					
Governmental activities:					
General government	\$ 40,819	\$ -	\$ -	\$ -	\$ (40,819)
Interest and expenses on long-term debt	126,482	-	-	-	(126,482)
	<u>\$ 167,301</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(167,301)</u>
General revenues:					
Property taxes					441,090
Specific ownership taxes					29,621
Interest					3,684
Total general revenues					<u>474,395</u>
Change in net position					307,094
Net position - beginning of year					<u>(4,228,211)</u>
Net position - end of year					<u>\$ (3,921,117)</u>

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**STONERIDGE METROPOLITAN DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2019**

	<b>General</b>	<b>Debt Service</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>			
Cash and investments - unrestricted	\$ 144,325	\$ -	\$ 144,325
Cash and investments - restricted	-	440,956	440,956
Due from county treasurer	426	2,091	2,517
Property taxes receivable	41,210	309,075	350,285
Prepaid expenditures	2,015	-	2,015
Total assets	\$ 187,976	\$ 752,122	\$ 940,098
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 1,047	\$ -	\$ 1,047
Payroll taxes payable	15	-	15
Total liabilities	1,062	-	1,062
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred property tax revenue	41,210	309,075	350,285
Total deferred inflows of resources	41,210	309,075	350,285
<b>FUND BALANCES</b>			
Nonspendable:			
Prepaid expenditures	2,015	-	2,015
Restricted:			
Emergency reserves	2,400	-	2,400
Debt service	-	443,047	443,047
Unassigned	141,289	-	141,289
Total fund balances	145,704	443,047	588,751
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 187,976</b>	<b>\$ 752,122</b>	

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

The funds report bond insurance costs as expenditures at the time the costs are incurred, but the statement of net position reports these costs as deferred assets, additionally the bond refunding loss is not reported in the funds, however is reported as deferred outflows of resources on the statement of net position, both of which are amortized over the life of the bonds

Prepaid bond insurance, net	26,442
Bond refunding loss, net	235,597

Long-term liabilities are not due and payable in the current period and, therefore, are not in the funds

Long-term obligations	(4,306,871)
Bond premium, net	(452,646)
Accrued interest on long-term obligations	(12,390)
Net position of governmental activities	<b>\$ (3,921,117)</b>

These financial statements should be read only in connection with the accompanying notes to financial statements.

**STONERIDGE METROPOLITAN DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year Ended December 31, 2019**

	<b>General</b>	<b>Debt Service</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>			
Property taxes	\$ 70,574	\$ 370,516	\$ 441,090
Specific ownership taxes	5,009	24,612	29,621
Interest	1,591	2,093	3,684
Total revenues	77,174	397,221	474,395
<b>EXPENDITURES</b>			
<u>General</u>			
Audit	4,600	-	4,600
County treasurer fees	1,059	5,558	6,617
Directors' fees	300	-	300
District management and accounting	21,560	-	21,560
Dues and subscriptions	300	-	300
Insurance and bonds	2,762	-	2,762
Legal	4,444	-	4,444
Miscellaneous	236	-	236
<u>Debt service</u>			
Bond principal	-	140,000	140,000
Bond interest	-	154,281	154,281
Paying agent fees	-	3,182	3,182
Total expenditures	35,261	303,021	338,282
<b>NET CHANGE IN FUND BALANCES</b>	41,913	94,200	136,113
<b>FUND BALANCES - BEGINNING OF YEAR</b>	103,791	348,847	452,638
<b>FUND BALANCES - END OF YEAR</b>	\$ 145,704	\$ 443,047	\$ 588,751

These financial statements should be read only in conjunction with  
the accompanying notes to the financial statements.

**STONERIDGE METROPOLITAN DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
Year Ended December 31, 2019**

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

Net change in fund balance - Total governmental funds	\$	136,113
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of 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 report the effect of issuance costs, premiums, discounts and similar items when the debt is first issued as expenditures, whereas, these amounts are deferred and amortized in the statement of activities.

Bond principal payments	140,000		
Bond premium amortization	46,006		
Debt refunding costs amortization	(13,932)		
Prepaid bond insurance amortization	<u>(1,560)</u>		170,514

Some expenses reported in the Statement of Activities do not require the use of financial resources and, therefore, are not reported as expenditures in governmental funds:

Net change in accrued interest on long-term liabilities		<u>467</u>
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Change in net position of governmental activities	\$	<u><u>307,094</u></u>
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These financial statements should be read only in connection with the accompanying notes to financial statements.

**STONERIDGE METROPOLITAN DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**Year Ended December 31, 2019**

	<u>Budget Amounts</u> <u>Original and Final</u>	<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
<b>REVENUES</b>			
Property taxes	\$ 70,574	\$ 70,574	\$ -
Specific ownership taxes	5,700	5,009	(691)
Interest	1,150	1,591	441
Total revenues	<u>77,424</u>	<u>77,174</u>	<u>(250)</u>
<b>EXPENDITURES</b>			
Audit	8,000	4,600	3,400
County treasurer fees	1,059	1,059	-
Directors' fees	600	300	300
District management and accounting	20,000	21,560	(1,560)
Dues and subscriptions	350	300	50
Insurance and bonds	2,800	2,762	38
Legal	6,000	4,444	1,556
Miscellaneous	250	236	14
Emergency reserve	2,400	-	2,400
Total expenditures	<u>41,459</u>	<u>35,261</u>	<u>6,198</u>
<b>NET CHANGE IN FUND BALANCE</b>	35,965	41,913	5,948
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>94,861</u>	<u>103,791</u>	<u>8,930</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 130,826</u>	<u>\$ 145,704</u>	<u>\$ 14,878</u>

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**STONERIDGE METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019**

**NOTE 1 - DEFINITION OF REPORTING ENTITY**

Stoneridge Metropolitan District (District), a quasi-municipal corporation and political subdivision of the State of Colorado was organized on May 17, 2004 and is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located within the Town of Firestone, Colorado.

The District was established principally to provide streets, traffic and safety controls, street lighting, water, sanitary sewer, storm drainage, landscaping, parks and recreation and mosquito control to areas within and without the boundaries of the District. The District is intended to provide for the financing of public improvements for the Stoneridge development, but is not intended to be a District with perpetual existence.

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

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 District organization nor is the District a component unit of any other primary governmental entity.

**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. For the most part, 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 assets plus deferred outflows of resources and liabilities plus deferred inflows of resources of the District is reported as net position.

**STONERIDGE METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019**

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

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

Separate financial statements are provided for 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. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Expenditures for property and equipment are shown as increases in assets and redemption of bonds, notes and developer advances are recorded as a reduction in liabilities.

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 and specific ownership taxes. Expenditures, other than interest on long-term obligations are recorded when the liability is incurred or the long-term obligation paid. All other revenue items are considered to be measurable and available only when cash is received by the District.

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 other funds.

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

**STONERIDGE METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019**

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

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

**Budgets**

In accordance with the Local Government Budget Law of Colorado, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

**Pooled Cash and Investments**

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a single 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 30 or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The county treasurer remits the taxes collected monthly to the District. Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows of resources in the year they are levied and measurable. The deferred inflows of resources related to property tax revenues are recorded as revenue in the year they are available or collected.

**STONERIDGE METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019**

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

**Bond Premium, Prepaid Bond Insurance Costs and Bond Refunding Costs**

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt issuances are reported as debt service expenditures.

In the government-wide financial statements, prepaid bond insurance costs and bond refunding costs from the G.O. Limited Tax Refunding Series 2016 Bonds are being amortized over the term of the bonds using the straight-line method. The bond premium is being amortized over the term of the bonds using the interest method. At December 31, 2019, the accumulated amortization of the bond insurance costs, the bond premium and the bond refunding costs were \$5,460, \$163,099 and \$48,762, respectively.

**Deferred Inflows of Resources**

In addition to liabilities, the statement of net position will sometimes report 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(s) and so will not be recognized as an inflow of resources (revenue) until that time. The revenue continues to be recognized when earned in the government-wide statements. The District has one item that qualifies for reporting in this category. Accordingly, the item, deferred property tax revenue, is deferred and recognized as an inflow of resources in the period that the amount becomes available.

**Fund Balances – Governmental Funds**

The District's governmental fund balances may consist of five classifications based on the relative strength of the spending constraints:

Nonspendable fund balance - the amount of fund balance that is not in spendable form (such as inventory or prepaids) or is legally or contractually required to be maintained intact.

Restricted fund balance - the amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions or by enabling legislation.

**STONERIDGE METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019**

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

Committed fund balance - amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., Board of Directors). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.

Assigned fund balance - amounts the District intends to use for a specific purpose. Intent can be expressed by the District Board of Directors or by an official or body to which the District Board of Directors delegates the authority.

Unassigned fund balance - amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds and finally unassigned funds, as needed, unless the District Board of Directors has provided otherwise in its commitment or assignment actions.

**NOTE 3 - CASH AND INVESTMENTS**

Cash and investments as of December 31, 2019 are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and investments - unrestricted	\$ 144,325
Cash and investments - restricted	<u>440,956</u>
Total cash and investments	<u>\$ 585,281</u>

Cash and investments as of December 31, 2019 consist of the following:

Deposits with financial institutions	\$ 506,448
Investments	<u>78,833</u>
Total cash and investments	<u>\$ 585,281</u>

**STONERIDGE METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019**

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

**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 equal to 102% of the aggregate uninsured deposits.

The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2019, the District's cash deposits had a bank and carrying balance of \$506,448.

**Investments**

**Credit Risk**

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

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

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

**STONERIDGE METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019**

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

The District generally limits its concentration of investments to those noted with an asterisk (\*) above, 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 disclosure requirements or subject to investment custodial risk 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.

As of December 31, 2019, the District had the following investments:

<u><b>Investment</b></u>	<u><b>Maturity</b></u>	<u><b>Amount</b></u>
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted average under 60 days	\$ <u>78,833</u>
<b>Total Investments</b>		<b>\$ <u>78,833</u></b>

**CSAFE**

During 2019, the District invested in the Colorado Surplus Asset Fund Trust (CSAFE), 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 and repurchase agreements collateralized by U.S. Treasury securities. A designated custodial bank serves as custodian for CSAFE's portfolio pursuant to custodian agreements. 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. As of December 31, 2019, the District had \$78,833 invested in CSAFE in the name of the District. CSAFE is rated AAAM by S&P Global Ratings.

Cash and investments are restricted for the following purposes:

**Bond Funds**

Cash and investments in the amount of \$440,956 are restricted for debt service payments in the Debt Service Fund.

**STONERIDGE METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019**

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

**Investment Valuation**

Certain investments that are measured at fair value on a recurring basis are categorized within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

However, the District's investments are not measured at fair value and are therefore not categorized within the fair value hierarchy. These investments include a 2a7-like external investment pool (CSAFE). The District is permitted in certain circumstances to establish the fair value of an investment that does not have a readily determinable fair value by using the net asset value ("NAV") per share (or its equivalent) of the investment.

CSAFE's primary goal is to maintain \$1.00 per share NAV. Many funds utilize the amortized cost method but CSAFE does not take this approach. CSAFE prices its portfolio on a weekly basis using a third-party pricing entity to determine if the pool's NAV deviates materially from \$1.00 per share. CSAFE has in place a NAV monitoring policy to take action if a material variation exists.

**NOTE 4 - LONG-TERM OBLIGATIONS**

The following is an analysis of changes in long-term obligations for the year ended December 31, 2019:

	<u>Balance at December 31, 2018</u>	<u>Additions</u>	<u>Retirements/ Adjustments</u>	<u>Balance at December 31, 2019</u>	<u>Due Within One Year</u>
Limited Tax G.O. Refunding and Improvement Bonds, Series 2016	\$ 3,600,000	\$ -	\$ 140,000	\$ 3,460,000	\$ 145,000
Bond premium	498,652	-	46,006	452,646	-
Developer advances (Note 7)	846,871	-	-	846,871	-
	<u>\$ 4,945,523</u>	<u>\$ -</u>	<u>\$ 186,006</u>	<u>\$ 4,759,517</u>	<u>\$ 145,000</u>

**STONERIDGE METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019**

**NOTE 4 - LONG-TERM OBLIGATIONS (CONTINUED)**

**Limited Tax General Obligation Refunding and Improvement Bonds, Series 2016**

On July 7, 2016, the District issued Limited Tax General Obligation Refunding and Improvement Bonds, Series 2016 (Series 2016 Bonds) in the principal amount of \$4,000,000. The Series 2016 Bonds were issued for the purpose of providing funds to (i) pay the costs of refunding the Series 2007 Bonds (ii) reimburse the developer for the cost of constructing public improvements pursuant to the developer reimbursement agreement and (iii) pay costs in connection with the issuance of the Series 2016 Bonds. The District received a premium of \$615,745 and incurred insurance costs of \$31,902, both of which are being amortized over the life of the 2016 Series Bonds in the statement of net position and the statement of activities.

The Series 2016 Bonds are secured by and payable solely from pledged revenue, which includes property taxes derived from the required mill levy net of the cost of collection, specific ownership taxes and any other legally available moneys of the District credited to the Debt Service Fund. The 2016 Series Bonds are also secured by amounts held by the trustee in the surplus fund.

The 2016 Series Bonds bear interest, payable semi-annually on June 1 and December 1, of 4.0% from December 1, 2016 to December 1, 2025, 4.25% from December 2, 2025 to December 1, 2028, 4.375% from December 2, 2028 to December 1, 2031 and 4.5% from December 2, 2031 to December 1, 2036. The payment of principal on the 2016 Series Bonds begins on December 1, 2016 and those maturing on and after December 1, 2028 are subject to redemption prior to maturity at the option of the District. The 2016 Series Bonds maturing on December 1, 2028, December 1, 2031 and December 1, 2036 are subject to mandatory sinking fund redemption prior to maturity, in part, by lot and in such manner as determined by the trustee. The 2016 Series Bonds mature on December 1, 2036.

Significant events of default under the 2016 Series Bonds include (i) failure to impose required mill levy or apply required pledged revenue, (ii) failure to meet financial or custodial agreement covenants and (iii) filing of a petition for bankruptcy.

Immediately upon the occurrence and continuance of an event of default, the trustee has rights or remedies including (i) rights to the appointment of a receiver for control of trust assets and (ii) right to file a suit for judgment, action or special proceedings as advised by trustee counsel.

The following table sets forth the estimated debt service payment schedule for the principal and interest on the 2016 Series Bonds:

**STONERIDGE METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019**

**NOTE 4 - LONG-TERM OBLIGATIONS (CONTINUED)**

<b>Limited Tax General Obligation Refunding and Improvement Bonds - Series 2016</b>			
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2020	\$ 145,000	\$ 148,681	\$ 293,681
2021	150,000	142,881	292,881
2022	155,000	136,881	291,881
2023	160,000	130,681	290,681
2024	170,000	124,281	294,281
2025-2029	955,000	511,169	1,466,169
2030-2034	1,175,000	286,044	1,461,044
2035-2036	550,000	37,351	587,351
	<b>\$ 3,460,000</b>	<b>\$ 1,517,969</b>	<b>\$ 4,977,969</b>

**Authorized Debt**

On May 4, 2004, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$10,030,000 for general obligation bonds. The District's service plan, however, establishes a total debt limit for the District of \$4,000,000 for general obligation bonds and construction financing notes.

The following table depicts the borrowing authority authorized by the District's voters at the District's May 4, 2004 election, the amount thereof applied to the bonds and the amount remaining as of December 31, 2019:

	<b>Total Authorized</b>	<b>Remaining at December 31, 2019</b>
Streets and improvements	\$ 1,695,466	\$ 194,473
Water system	944,846	171,853
Sanitary sewer system	1,197,271	29,271
Parks and recreation	1,162,417	229,424
Operations and maintenance	30,000	30,000
Refunding financial obligations	5,000,000	5,000,000
	<b>\$ 10,030,000</b>	<b>\$ 5,655,021</b>

**STONERIDGE METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019**

**NOTE 5 – FUND EQUITY**

At December 31, 2019, the District reported the following classifications of funds equity.

**Nonspendable Fund Balance**

The nonspendable fund balance in the General Fund in the amount of \$2,015 represents prepaid expenditures for the ensuing fiscal year and is therefore not in a spendable form.

**Restricted Fund Balance**

The restricted fund balance in the General Fund in the amount of \$2,400 is comprised of the emergency reserves that have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado (see Note 9).

The restricted fund balance in the Debt Service Fund in the amount of \$443,047 is to be used exclusively for debt service requirements (see Note 4).

**NOTE 6 - NET POSITION**

The District's net position consists of two components - restricted and unrestricted.

The restricted portion of the net position include amounts that are restricted either externally by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District's restricted net position at December 31, 2019 is as follows:

	<b>Governmental Activities</b>
Restricted net position:	
TABOR emergency reserve (Note 9)	\$ 2,400
Debt service (Note 4)	430,657
	\$ 433,057

In the government-wide financial statements, the District's unrestricted net deficit as of December 31, 2019 totaled \$4,354,174, primarily due to capital improvements that were funded with long-term debt that have been dedicated to other entities, while the long-term debt remains an obligation of the District.

**STONERIDGE METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019**

**NOTE 7 - AGREEMENTS**

**Advance and Reimbursement Agreement - Best Buy Homes Colorado, Inc.**

The District entered into an advance and reimbursement agreement with Best Buy Home Colorado, Inc. (Best Buy) on June 18, 2004. Best Buy agreed that the District would recognize advances made by Best Buy and would accept cash advances from Best Buy for reimbursement by the District. As of December 31, 2019, there were no outstanding advances from Best Buy.

**Advance and Reimbursement Agreement - Stoneridge Investments, LLC**

In an Advance and Reimbursement Agreement dated December 14, 2005, the District and Stoneridge Investments, LLC (Stoneridge) agreed that the District would recognize advances made by Stoneridge and would accept cash advances from Stoneridge for reimbursement by the District. The District shall reimburse Stoneridge for the advances. Per the agreement, interest does not apply to the advances. The payment of the reimbursement is subject to the District's annual appropriation. The District also agreed to provide for the reimbursement from the net proceeds of bonds issued by the District in the future. At December 31, 2019, the outstanding developer advance balance is \$846,871.

**NOTE 8 - RISK MANAGEMENT**

Except as provided in the Colorado Governmental Immunity Act, the District may be 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 (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, public officials' liability and workers compensation 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.

**STONERIDGE METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019**

**NOTE 9 - 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, except Enterprise.

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

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

On May 4, 2004, the District's electors authorized the District to collect, retain and spend annually any and all amounts from any revenue sources without regard to any limitation imposed by TABOR.

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.

## **SUPPLEMENTAL INFORMATION**

**STONERIDGE METROPOLITAN DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**DEBT SERVICE FUND**  
**Year Ended December 31, 2019**

	<u>Budget Amounts</u> <u>Original and Final</u>	<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
<b>REVENUE</b>			
Property taxes	\$ 370,516	\$ 370,516	\$ -
Specific ownership taxes	28,000	24,612	(3,388)
Interest	1,500	2,093	593
Total revenues	<u>400,016</u>	<u>397,221</u>	<u>(2,795)</u>
<b>EXPENDITURES</b>			
Bond principal	140,000	140,000	-
Bond interest	154,281	154,281	-
County treasurer fees	5,558	5,558	-
Paying agent fees	3,200	3,182	18
Total expenditures	<u>303,039</u>	<u>303,021</u>	<u>18</u>
<b>NET CHANGE IN FUND BALANCE</b>	96,977	94,200	(2,777)
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>346,302</u>	<u>348,847</u>	<u>2,545</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 443,279</u>	<u>\$ 443,047</u>	<u>\$ (232)</u>

## **OTHER INFORMATION**

**STONERIDGE METROPOLITAN DISTRICT  
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY  
December 31, 2019**

**\$4,000,000 Series 2016  
Limited Tax General Obligation  
Refunding and Improvement Bonds  
Dated July 7, 2016  
Interest Rate of 4.00% 2016, increasing to 4.25% in 2026,  
4.375% in 2029 and 4.50% in 2032  
Payable on June 1 and December 1,  
Principal Due December 1**

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 145,000	\$ 148,681	\$ 293,681
2021	150,000	142,881	292,881
2022	155,000	136,881	291,881
2023	160,000	130,681	290,681
2024	170,000	124,281	294,281
2025	175,000	117,481	292,481
2026	185,000	110,481	295,481
2027	190,000	102,619	292,619
2028	200,000	94,544	294,544
2029	205,000	86,044	291,044
2030	215,000	77,075	292,075
2031	225,000	67,669	292,669
2032	235,000	57,825	292,825
2033	245,000	47,250	292,250
2034	255,000	36,225	291,225
2035	270,000	24,750	294,750
2036	280,000	12,601	292,601
	<u>\$ 3,460,000</u>	<u>\$ 1,517,969</u>	<u>\$ 4,977,969</u>

**STONERIDGE METROPOLITAN DISTRICT  
SCHEDULE OF ASSESSED VALUATION,  
MILL LEVY AND PROPERTY TAXES COLLECTED  
December 31, 2019**

<u>Year Ended December 31,</u>	<u>Prior Year Assessed Valuation for Current Year Property Tax Levy</u>	<u>Mills Levied</u>	<u>Total Property Taxes</u>		<u>Percentage Collected to Levied</u>
			<u>Levied</u>	<u>Collected</u>	
2010	\$ 6,693,230	50.000	\$ 334,662	\$ 334,662	100.00%
2011	\$ 6,355,140	50.000	\$ 317,757	\$ 317,695	99.98%
2012	\$ 6,899,170	50.000	\$ 344,958	\$ 344,958	100.00%
2013	\$ 7,068,010	50.000	\$ 353,400	\$ 353,400	100.00%
2014	\$ 6,690,760	50.000	\$ 334,538	\$ 334,538	100.00%
2015	\$ 6,694,410	50.000	\$ 334,720	\$ 331,064	98.91%
2016	\$ 8,257,340	50.000	\$ 412,867	\$ 412,867	100.00%
2017	\$ 8,825,590	50.000	\$ 441,280	\$ 441,280	100.00%
2018	\$ 8,881,160	50.000	\$ 444,058	\$ 444,126	100.02%
2019	\$ 8,821,810	50.000	\$ 441,090	\$ 441,090	100.00%
Estimated for the year ending December 31, 2020	\$10,302,500	34.000	\$ 350,285		

**NOTE:**

Property taxes collected in any one year include collection of delinquent property taxes assessed in prior years, as well as reductions for property tax refunds or abatements. Information received from the County Treasurer does not permit identification of specific year of assessment.