

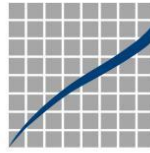
**STETSON RIDGE METROPOLITAN DISTRICT NO. 2  
El Paso County, Colorado**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED DECEMBER 31, 2020**

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**BiggsKofford**  
CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

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Board of Directors  
**Stetson Ridge Metropolitan District No. 1**  
Colorado Springs, Colorado

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of Stetson Ridge Metropolitan District No. 1 ("District") as of and for the year ended December 31, 2020, 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 the District as of December 31, 2020, the changes in its 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 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 which 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 opinions on the basic financial statements are not affected by this missing information.

*BiggsKofford, P.C.*

Colorado Springs, Colorado  
September 28, 2021

## **BASIC FINANCIAL STATEMENTS**

**STETSON RIDGE METROPOLITAN DISTRICT NO. 2**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2020**

	Governmental Activities
<b>ASSETS</b>	
Cash and Investments	\$ 19,185
Cash and Investments - Restricted	680,248
Receivable - County Treasurer	9,289
Property Taxes Receivable	1,107,417
Total Assets	1,816,139
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred Bond Costs Refunding, Net	117,803
Total Deferred Inflows of Resources	117,803
<b>LIABILITIES</b>	
Accrued Interest Payable	3,317
Noncurrent Liabilities:	
Due Within One Year	170,000
Due in More Than One Year	807,379
Total Liabilities	980,696
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred Property Taxes	1,107,417
Total Deferred Inflows of Resources	1,107,417
<b>NET POSITION</b>	
Restricted for:	
Debt Service	633,931
Unrestricted	(788,102)
Total Net Position	\$ (154,171)

See accompanying Notes to Basic Financial Statements.

**STETSON RIDGE METROPOLITAN DISTRICT NO. 2**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2020**

		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
Governmental Activities:					
General Government	\$ 20,639	\$ -	\$ -	\$ -	\$ (20,639)
Intergovernmental	1,000,000	-	12,109	-	(987,891)
Interest and Related Costs on Long-Term Debt	80,757	-	-	-	(80,757)
Total Governmental Activities	\$ 1,101,396	\$ -	\$ 12,109	\$ -	(1,089,287)
 <b>GENERAL REVENUES</b>					
Property Taxes					1,059,892
Specific Ownership Taxes					115,210
Interest income					2,414
Total General Revenues					1,177,516
 <b>CHANGE IN NET POSITION</b>					
Net Position - Beginning of Year					(242,400)
 <b>NET POSITION - END OF YEAR</b>					
					\$ (154,171)

See accompanying Notes to Basic Financial Statements.

**STETSON RIDGE METROPOLITAN DISTRICT NO. 2  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2020**

	General	Debt Service	Total Governmental Funds
<b>ASSETS</b>			
Cash and Investments	\$ 19,185	\$ -	\$ 19,185
Cash and Investments - Restricted	-	680,248	680,248
Receivable from County Treasurer	9,289	-	9,289
Property Taxes Receivable	886,546	220,871	1,107,417
Total Assets	\$ 915,020	\$ 901,119	\$ 1,816,139
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Property Taxes	\$ 886,546	\$ 220,871	\$ 1,107,417
Total Deferred Inflows of Resources	886,546	220,871	1,107,417
 <b>FUND BALANCES</b>			
Restricted for:			
Debt Service	-	680,248	680,248
Unassigned:			
General Government	28,474	-	28,474
Total Fund Balances	28,474	680,248	708,722
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 915,020	\$ 901,119	

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

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

Bonds Payable

(977,379)

Accrued Interest on Bonds Payable

(3,317)

Other long-term assets are not available to pay for current period expenditures and, therefore, are not reported as assets in the funds.

Deferred Bond Costs Refunding, Net

117,803

Net Position of Governmental Activities

\$ (154,171)

See accompanying Notes to Basic Financial Statements.

**STETSON RIDGE METROPOLITAN DISTRICT NO. 2**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2020**

	General	Debt Service	Total Governmental Funds
<b>REVENUES</b>			
Property Taxes	\$ 848,549	\$ 211,343	\$ 1,059,892
Specific Ownership Taxes	115,210	-	115,210
Interest Income	135	2,279	2,414
Intergovernmental revenues	7,909	4,200	12,109
Total Revenues	971,803	217,822	1,189,625
<b>EXPENDITURES</b>			
Current:			
Accounting	5,600	-	5,600
County Treasurer's Fee	12,730	3,171	15,901
Dues and Licenses	294	-	294
Insurance and Bonds	2,015	-	2,015
Intergovernmental Expenditures	1,000,000	-	1,000,000
Debt Service:			
Bond Principal	-	165,000	165,000
Bond Interest	-	46,400	46,400
Paying Agent Fee	-	4,200	4,200
Total Expenditures	1,020,639	218,771	1,239,410
<b>NET CHANGE IN FUND BALANCES</b>	(48,836)	(949)	(49,785)
Fund Balances - Beginning of Year	77,310	681,197	758,507
<b>FUND BALANCES - END OF YEAR</b>	\$ 28,474	\$ 680,248	\$ 708,722

See accompanying Notes to Basic Financial Statements.

**STETSON RIDGE METROPOLITAN DISTRICT NO. 2  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2020**

Net Change in Fund Balances - Governmental Funds	\$ (49,785)
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Amounts reported for governmental activities in the statement of activities are different because:

Long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of long-term debt and related items is as follows:

Bond Principal Payments	165,000
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Accrued Interest on Bonds - Change in Liability	550
Amortization of Deferred Bond Costs Refunding	(23,954)
Amortization of Bond Discount	<u>(3,582)</u>

Changes in Net Position of Governmental Activities	<u>\$ 88,229</u>
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**STETSON RIDGE METROPOLITAN DISTRICT NO. 2  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2020**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property Taxes	\$ 848,537	\$ 848,549	\$ 848,549	\$ -
Specific Ownership Taxes	108,000	115,210	115,210	-
Interest Income	-	135	135	-
Intergovernmental Revenues	9,400	10,377	7,909	(2,468)
Total Revenues	<u>965,937</u>	<u>974,271</u>	<u>971,803</u>	<u>(2,468)</u>
<b>EXPENDITURES</b>				
Accounting	5,600	5,600	5,600	-
County Treasurer's Fee	12,728	12,730	12,730	-
Dues and Licenses	800	294	294	-
Insurance and Bonds	3,000	2,015	2,015	-
Intergovernmental Expenditures	934,809	1,000,000	1,000,000	-
Contingency	9,000	4,361	-	4,361
Total Expenditures	<u>965,937</u>	<u>1,025,000</u>	<u>1,020,639</u>	<u>4,361</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	(50,729)	(48,836)	1,893
Fund Balance - Beginning of Year	<u>77,312</u>	<u>77,310</u>	<u>77,310</u>	-
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 77,312</u>	<u>\$ 26,581</u>	<u>\$ 28,474</u>	<u>\$ 1,893</u>

See accompanying Notes to Basic Financial Statements.

**STETSON RIDGE METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**NOTE 1 DEFINITION OF REPORTING ENTITY**

Stetson Ridge Metropolitan District No. 2 (District No. 2), a quasi-municipal corporation and a political subdivision of the state of Colorado created pursuant to the Colorado Special District Act, was formed in 2000 for the purpose of providing the funding for streets, safety protection, water, sanitary sewer, drainage and park and recreation improvements, facilities, and services in connection with a development project in the City of Colorado Springs.

District No. 2 was formed in conjunction with Stetson Ridge Metropolitan District No. 1 (District No. 1) and Stetson Ridge Metropolitan District No. 3 (District No. 3) to serve the needs of the Stetson Ridge development for the purpose of financing, construction and operation of improvements and infrastructure serving the three districts. District No. 1 is responsible for managing the construction, operation, and maintenance of all improvements not transferred to the City of Colorado Springs. District No. 2 and District No. 3 are responsible for providing the funding and tax base needed to support the financing plan for capital improvements and to fund ongoing operations. District No. 1 and District No. 3 are not component units of District No. 2.

District No. 2 follows 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.

District No. 2 is not financially accountable for any other organization nor is District No. 2 a component unit of any other primary governmental entity.

District No. 2 has no employees, and all operational and administrative functions are contracted.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The more significant accounting policies of District No. 2 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 District No. 2. The effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes.

The statement of net position reports all financial and capital resources of District No. 2. The difference between the assets and deferred outflows of resources, and liabilities and deferred inflows of resources of District No. 2 is reported as net position.

**STETSON RIDGE METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

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

**Government-Wide and Fund Financial Statements (Continued)**

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is 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.

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 collectable within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, District No. 2 considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes. All other revenue items are considered to be measurable and available only when cash is received by District No. 2. Expenditures, other than interest on long-term obligations are recorded when the liability is incurred or the long-term obligation is due.

District No. 2 reports the following major governmental funds:

The General Fund is District No. 2's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

**STETSON RIDGE METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

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

**Budgets**

In accordance with state budget law, District No. 2'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. District No. 2'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.

District No. 2 amended its annual budget for the year ended December 31, 2020.

**Pooled Cash and Investments**

District No. 2 follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a single bank account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash.

**Property Taxes**

Property taxes are levied by District No. 2's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to District No. 2.

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

**Deferred Outflow and Inflow of Resources**

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. Accordingly, *deferred bond cost refunding*, is deferred and recognized as outflows of resources in the period that the amounts become available.

**STETSON RIDGE METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

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

**Deferred Outflow and Inflow of Resources (Continued)**

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. District No. 2 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.

**Equity**

**Net Position**

For government-wide presentation purposes when both restricted and unrestricted resources are available for use, it is District No. 2's practice to use restricted resources first, then unrestricted resources as they are needed.

**Fund Balance**

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

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

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

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

*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.

**STETSON RIDGE METROPOLITAN DISTRICT NO. 2  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

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

**Equity (Continued)**

Fund Balance (Continued)

If more than one classification of fund balance is available for use when an expenditure is incurred, it is District No. 2's practice to use the most restrictive classification first.

**NOTE 3 CASH AND INVESTMENTS**

Cash and investments as of December 31, 2020, are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and Investments	\$ 19,185
Cash and Investments - Restricted	680,248
Total Cash and Investments	\$ 699,433

Cash and investments as of December 31, 2020, consist of the following:

Investments	\$ 699,433
Total Cash and Investments	\$ 699,433

**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.

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

As of December 31, 2020, District No. 2 had no cash deposits with financial institutions.

**Investments**

District No. 2 has not adopted a formal investment policy; however, District No. 2 follows state statutes regarding investments.

**STETSON RIDGE METROPOLITAN DISTRICT NO. 2  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

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

**Investments (Continued)**

District No. 2 generally limits its concentration of investments to those noted with an asterisk (\*) below, which are believed to have minimal credit risk, minimal interest rate risk, and no foreign currency risk. Additionally, District No. 2 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, 2020, District No. 2 had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted Average Under 60 Days	\$ 43,008
MSILF Treasury Money Market	Weighted Average Under 60 Days	656,425
Total		<u>\$ 699,433</u>

**STETSON RIDGE METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

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

**Investments (Continued)**

**COLOTRUST**

District No. 2 invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. Government agencies, highest rated commercial paper and any security allowed under CRS 24-75-601. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. COLOTRUST is rated AAA by Standard & Poor's. COLOTRUST records its investments at fair value and District No. 2 records its investment in COLOTRUST using the net asset value method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

**MSILF Treasury Money Market Fund**

The debt service money that is included in the trust accounts at United Missouri Bank (successor of American National Bank) is invested in the Federated Treasury Obligations Fund. This portfolio is a money market mutual fund which invests in U.S. Treasury obligations, which are fully guaranteed as to principal and interest by the United States, with maturities of 13 months or less and repurchase agreements collateralized by U.S. Treasury obligations. The Federated Treasury Obligation Fund is rated AAAM by Standard & Poor's.

**NOTE 4 LONG-TERM OBLIGATIONS**

The following is an analysis of changes in District No. 2's long-term obligations for the year ended December 31, 2020:

	Balance December 31, 2019	Additions	Retirements	Balance December 31, 2020	Due Within One Year
Bonds Payable:					
Series 2007 Bonds - Principal	\$ 1,160,000	\$ -	\$ 165,000	\$ 995,000	\$ 170,000
Series 2007 Bonds - Discount	(21,203)	-	(3,582)	(17,621)	-
Total	<u>\$ 1,138,797</u>	<u>\$ -</u>	<u>\$ 161,418</u>	<u>\$ 977,379</u>	<u>\$ 170,000</u>

The details of District No. 2's long-term obligations are as follows:

**STETSON RIDGE METROPOLITAN DISTRICT NO. 2  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

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

**General Obligation Limited Tax Refunding Bonds Series 2007**

On December 4, 2007, District No. 2 advance refunded and defeased (legally satisfied) \$2,070,000 of General Obligation Limited Tax Refunding Bonds, Series 2003 with an interest rate of 6.875% per annum by issuance of \$2,675,000 General Obligation Limited Tax Refunding Bonds dated December 7, 2007, with an interest rate of 4.00% per annum. The defeased bonds are not considered a liability of District No. 2 since sufficient funds (\$2,418,664) were deposited with a trustee and invested in United States government securities for the purpose of paying the principal and interest of the deposited bonds when due. The defeasement resulted in an economic loss (difference between the present values of the debt service payments of the old and new debt) of \$414,165.

In 2007, District No. 2 issued general obligation bonds with a face value of \$2,070,000 and supplemental interest coupons of \$605,000. The bonds bear interest at an annual rate of 4.00% to be paid to the bondholders semi-annually on each June 1 and December 1, beginning June 1, 2008. The bonds mature on December 1, 2025, and are subject to redemption prior to maturity at the discretion of District No. 2, as a whole or in integral multiples of \$5,000 on December 1, 2018, or on any date thereafter. The bonds are subject to mandatory sinking fund redemption requirements.

The bond debt will be repaid from the proceeds of an ad valorem property tax on the taxable property within District No. 2.

The proceeds were also used to pay \$148,866 of bond issuance costs and fund \$43,000 to the bond reserve account.

District No. 2 is required, pursuant to the bond agreements, to maintain bond and reserve cash accounts. The purpose of the reserve cash accounts is to provide adequate reserves to meet principal and interest requirements if the bond account does not have enough funding. The reserve account is required to be maintained as long as the bonds are outstanding.

Interest expense related to bonds payable totaled \$46,400 for the year ended December 31, 2020. As of December 31, 2020, accrued interest related to bonds payable totaled \$3,317.

District No. 2's long-term obligations will mature as follows:

<u>Year Ending December 31,</u>	Governmental Activities		
	Principal	Interest	Total
2021	\$ 170,000	\$ 39,800	\$ 209,800
2022	185,000	33,000	218,000
2023	190,000	25,600	215,600
2024	200,000	18,000	218,000
2025	250,000	10,000	260,000
Total	<u>\$ 995,000</u>	<u>\$ 126,400</u>	<u>\$ 1,121,400</u>

**STETSON RIDGE METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**NOTE 5 NET POSITION**

District No. 2 has net position consisting of two components - restricted and unrestricted.

Restricted items include net positions that are subject to restriction for use either by external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. District No. 2 had restricted net positions of as of December 31, 2020, as follows:

	Governmental Activities
Restricted Net Position:	
Debt Service	\$ 633,931
Total Restricted Net Position	\$ 633,931

District No. 2 has a deficit in unrestricted net position. The deficit was a result of District No. 2 being responsible for the repayment of bonds issued for public improvements which were conveyed to other governmental entities and which costs were removed from District No. 2's financial records.

**NOTE 6 RELATED PARTY**

Some members of the Board of Directors are officers, employees, or associated with the developers of the property within District No. 1, District No. 2, and District No. 3, and may have conflicts of interest in dealing with District No. 2.

**NOTE 7 RISK MANAGEMENT**

District No. 2 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.

District No. 2 is a member of the Colorado Special Districts Property and Liability Pool (the Pool) as of December 31, 2020. 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.

District No. 2 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.

**STETSON RIDGE METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

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

Article X, Section 20 of the Colorado Constitution, referred to 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. District No. 2 transfers its net operating revenue to Stetson Ridge Metropolitan District No. 1 (Operating District) pursuant to an intergovernmental agreement. Therefore, the Emergency Reserves related to District No. 2's revenue are reported in District No. 1.

District No. 2'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**

**STETSON RIDGE METROPOLITAN DISTRICT NO. 2  
DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2020**

	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Property Taxes	\$ 211,402	\$ 211,343	\$ (59)
Interest Income	-	2,279	2,279
Intergovernmental Revenues	2,800	4,200	1,400
Total Revenues	<u>214,202</u>	<u>217,822</u>	<u>3,620</u>
<b>EXPENDITURES</b>			
County Treasurer's Fee	3,171	3,171	-
Paying Agent Fees	2,800	4,200	(1,400)
Bond Interest	46,400	46,400	-
Bond Principal	165,000	165,000	-
Contingency	9,000	-	9,000
Total Expenditures	<u>226,371</u>	<u>218,771</u>	<u>7,600</u>
<b>NET CHANGE IN FUND BALANCE</b>	(12,169)	(949)	11,220
Fund Balance - Beginning of Year	<u>681,196</u>	<u>681,197</u>	<u>1</u>
<b>FUND BALANCE - END OF YEAR</b>	<u><u>\$ 669,027</u></u>	<u><u>\$ 680,248</u></u>	<u><u>\$ 11,221</u></u>

## **OTHER INFORMATION**

**STETSON RIDGE METROPOLITAN DISTRICT NO. 2**  
**SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY – SERIES 2007**  
**DECEMBER 31, 2020**

	\$2,070,000		
	General Obligation Limited Tax Refunding Bonds		
	Series 2007		
	Dated December 4, 2007		
	Interest Rate 4.00%		
	Interest due June 1 and December 1		
	Principal due December 1		
<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 170,000	\$ 39,800	\$ 209,800
2022	185,000	33,000	218,000
2023	190,000	25,600	215,600
2024	200,000	18,000	218,000
2025	250,000	10,000	260,000
Total	<u>\$ 995,000</u>	<u>\$ 126,400</u>	<u>\$ 1,121,400</u>

**STETSON RIDGE METROPOLITAN DISTRICT NO. 2  
SCHEDULE OF ASSESSED VALUATION,  
MILL LEVY, AND PROPERTY TAXES COLLECTED  
DECEMBER 31, 2020**

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied		Total Property Taxes		Percentage Collected to Levied
		General	Debt Service	Levied	Collected	
2016	\$ 32,603,020	7.672	16.800	\$ 797,861	\$ 797,747	99.99%
2017	33,031,350	7.672	16.800	808,343	807,972	99.95
2018	32,778,120	8.467	18.541	885,271	885,730	100.05
2019	33,394,690	20.770	6.217	901,223	901,456	100.03
2020	39,054,510	21.727	5.413	1,059,939	1,059,892	100.00
Estimated for the year ending <u>December 31,</u>						
2021	\$ 40,803,870	21.727	5.413	\$ 1,107,417		

Note:

Property taxes shown as collected in any one year include collection of delinquent property taxes or of property taxes assessed in prior years. This presentation does not attempt to identify specific years of assessment.