

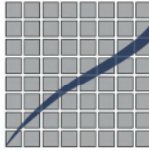
**STETSON RIDGE METROPOLITAN DISTRICT NO. 2  
El Paso County, Colorado**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED DECEMBER 31, 2022**

**STETSON RIDGE METROPOLITAN DISTRICT NO. 2**  
**TABLE OF CONTENTS**  
**YEAR ENDED DECEMBER 31, 2022**

<b>INDEPENDENT AUDITOR'S REPORT</b>	<b>I</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>RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES</b>	<b>5</b>
<b>GENERAL FUND – STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL</b>	<b>6</b>
<b>NOTES TO BASIC FINANCIAL STATEMENTS</b>	<b>7</b>
<b>SUPPLEMENTARY INFORMATION</b>	
<b>DEBT SERVICE FUND – SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL</b>	<b>19</b>
<b>OTHER INFORMATION</b>	
<b>SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY – SERIES 2007</b>	<b>21</b>
<b>SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED</b>	<b>22</b>



**BiggsKofford**

CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

---

Board of Directors

**Stetson Ridge Metropolitan District No. 2**

El Paso County, Colorado

### Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Stetson Ridge Metropolitan District No. 2 ("District"), as of and for the year ended December 31, 2022, 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 the District as of December 31, 2022, 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 audit 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 the report. We are required to be independent of the District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District'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 opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards

generally accepted in the United States of America will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, 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 the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

## **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.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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.

#### *Other Information*

Management is responsible for the other information, as identified in the table of contents. The other information does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or provide any assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

*BiggsKofford, P.C.*

Colorado Springs, Colorado  
July 25, 2023

## **BASIC FINANCIAL STATEMENTS**

**STETSON RIDGE METROPOLITAN DISTRICT NO. 2**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2022**

	Governmental Activities
<b>ASSETS</b>	
Cash and Investments	\$ 103,564
Cash and Investments - Restricted	47,524
Receivable - County Treasurer	13,487
Property Taxes Receivable	1,521,346
Total Assets	1,685,921
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred Bond Costs Refunding, Net	70,387
Total Deferred Outflows of Resources	70,387
<b>LIABILITIES</b>	
Due to Other Districts	118,451
Accrued Interest Payable	2,133
Noncurrent Liabilities:	
Due Within One Year	190,000
Due in More Than One Year	441,311
Total Liabilities	751,895
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred Property Taxes	1,521,346
Total Deferred Inflows of Resources	1,521,346
<b>NET POSITION</b>	
Restricted for:	
Debt Service	991
Unrestricted	(517,924)
Total Net Position	\$ (516,933)

See accompanying Notes to Basic Financial Statements.

**STETSON RIDGE METROPOLITAN DISTRICT NO. 2**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2022**

FUNCTIONS/PROGRAMS	Program Revenues			Net Revenues (Expenses) and Change in Net Position
Governmental Activities:	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
General Government	Expenses	-	-	-
Intergovernmental Expenses	\$ 20,492	\$ -	\$ -	\$ (20,492)
Interest and Related Costs on Long-Term Debt	2,181,271	-	-	(2,181,271)
	67,259	-	-	(67,259)
Total Governmental Activities	<u>\$ 2,269,022</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(2,269,022)</u>

**GENERAL REVENUES**

Property Taxes	1,582,736
Specific Ownership Taxes	164,933
Interest Income	13,879
Total General Revenues	<u>1,761,548</u>

**CHANGE IN NET POSITION**

Net Position - Beginning of Year	<u>(9,459)</u>
----------------------------------	----------------

**NET POSITION - END OF YEAR**

\$	<u><u>(516,933)</u></u>
----	-------------------------

See accompanying Notes to Basic Financial Statements.

**STETSON RIDGE METROPOLITAN DISTRICT NO. 2  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2022**

	General	Debt Service	Total Governmental Funds
<b>ASSETS</b>			
Cash and Investments	\$ 103,564	\$ -	\$ 103,564
Cash and Investments - Restricted	-	47,524	47,524
Receivable from County Treasurer	13,487	-	13,487
Property Taxes Receivable	1,297,687	223,659	1,521,346
Total Assets	\$ 1,414,738	\$ 271,183	\$ 1,685,921
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Due to Other Districts	\$ 84,071	\$ 1,400	\$ 85,471
Due to Other Districts - Contractual	32,980	-	32,980
Total Liabilities	117,051	1,400	118,451
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Property Taxes	1,297,687	223,659	1,521,346
Total Deferred Inflows of Resources	1,297,687	223,659	1,521,346
<b>FUND BALANCES</b>			
Restricted for:			
Debt Service	-	46,124	46,124
Total Fund Balances	-	46,124	46,124
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 1,414,738	\$ 271,183	

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	(631,311)
Accrued Interest on Bonds Payable	(2,133)

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	70,387
------------------------------------	--------

Net Position of Governmental Activities	\$ (516,933)
---	--------------

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, 2022**

	General	Debt Service	Total Governmental Funds
<b>REVENUES</b>			
Property Taxes	\$ 316,547	\$ 217,468	\$ 534,015
Property Taxes - Contractual	1,048,721	-	1,048,721
Specific Ownership Taxes	164,933	-	164,933
Interest Income	11,428	2,451	13,879
Total Revenues	1,541,629	219,919	1,761,548
<b>EXPENDITURES</b>			
Current:			
County Treasurer's Fee	4,751	3,264	8,015
County Treasurer's Fee - Contractual	15,741	-	15,741
Intergovernmental Expenditures	510,370	-	510,370
Intergovernmental Expenditures - Contractual	1,670,901	-	1,670,901
Debt Service:			
Bond Principal	-	185,000	185,000
Bond Interest	-	33,000	33,000
Paying Agent Fee	-	2,800	2,800
Total Expenditures	2,201,763	224,064	2,425,827
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(660,134)	(4,145)	(664,279)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers from Other Funds	637,921	-	637,921
Transfers to Other Fund	-	(637,921)	(637,921)
Total Other Financing Sources (Uses)	637,921	(637,921)	-
<b>NET CHANGE IN FUND BALANCES</b>	(22,213)	(642,066)	(664,279)
Fund Balances - Beginning of Year	22,213	688,190	710,403
<b>FUND BALANCES - END OF YEAR</b>	\$ -	\$ 46,124	\$ 46,124

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, 2022**

Net Change in Fund Balances - Governmental Funds \$ (664,279)

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 185,000

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	617
Amortization of Deferred Bond Costs Refunding	(23,462)
Amortization of Bond Discount	(5,350)
	<u>(5,795)</u>

Changes in Net Position of Governmental Activities \$ (507,474)

**STETSON RIDGE METROPOLITAN DISTRICT NO. 2  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2022**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property Taxes	\$ 317,238	\$ 317,238	\$ 316,547	\$ (691)
Property Taxes - Contractual	1,050,999	1,110,000	1,048,721	(61,279)
Specific Ownership Taxes	158,624	158,624	164,933	6,309
Interest Income	-	-	11,428	11,428
Other Revenue	4,674	4,674	-	(4,674)
Total Revenues	<u>1,531,535</u>	<u>1,590,536</u>	<u>1,541,629</u>	<u>(48,907)</u>
<b>EXPENDITURES</b>				
County Treasurer's Fee	4,759	4,759	4,751	8
County Treasurer's Fee - Contractual	15,765	15,765	15,741	24
Intergovernmental Expenditures	486,800	515,000	510,370	4,630
Intergovernmental Expenditures - Contractual	1,035,234	1,700,000	1,670,901	29,099
Miscellaneous	8,581	8,581	-	8,581
Total Expenditures	<u>1,551,139</u>	<u>2,244,105</u>	<u>2,201,763</u>	<u>42,342</u>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>	(19,604)	(653,569)	(660,134)	(6,565)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers to/from Other Funds	-	640,000	637,921	(2,079)
Total Other Financing Sources (Uses)	<u>-</u>	<u>640,000</u>	<u>637,921</u>	<u>(2,079)</u>
<b>NET CHANGE IN FUND BALANCE</b>	(19,604)	(13,569)	(22,213)	(8,644)
Fund Balance - Beginning of Year	<u>19,604</u>	<u>19,604</u>	<u>22,213</u>	<u>2,609</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ -</u>	<u>\$ 6,035</u>	<u>\$ -</u>	<u>\$ (6,035)</u>

See accompanying Notes to Basic Financial Statements.

**STETSON RIDGE METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**NOTE 1 DEFINITION OF REPORTING ENTITY**

Stetson Ridge Metropolitan District No. 2 (the District), 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.

The District 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. The District 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 the District.

The District 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.

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 operational and administrative functions are contracted.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Government-Wide and Fund Financial Statements**

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

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

**STETSON RIDGE METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**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, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. Expenditures, other than interest on long-term obligations are recorded when the liability is incurred or the long-term obligation is due.

The District reports the following major governmental funds:

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

The 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, 2022**

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

**Budgets**

In accordance with 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, 2022.

**Pooled Cash and Investments**

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a single bank account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash.

**Property Taxes**

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally 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 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, 2022**

**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. 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.

**Equity**

**Net Position**

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

**Fund Balance**

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

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

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

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

*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, 2022**

**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 the District's practice to use the most restrictive classification first.

**NOTE 3 CASH AND INVESTMENTS**

Cash and investments as of December 31, 2022 are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and Investments	\$ 103,564
Cash and Investments - Restricted	47,524
Total Cash and Investments	<u>\$ 151,088</u>

Cash and investments as of December 31, 2022 consist of the following:

Investments	\$ 151,088
Total Cash and Investments	<u>\$ 151,088</u>

**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, 2022, the District had no cash deposits with financial institutions.

**Investments**

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

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

**STETSON RIDGE METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

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

**Investments (Continued)**

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, 2022, the District 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	\$ 147,472
MSILF Treasury Money Market	Weighted-Average Under 60 Days	3,616
Total		<u>\$ 151,088</u>

**COLOTRUST**

The District 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 currently offers three portfolios – COLOTRUST PRIME, COLOTRUST PLUS+, and COLOTRUST EDGE.

COLOTRUST PRIME and COLOTRUST PLUS+, which operate similarly to a money market fund and each share is equal in value to \$1.00, offer daily liquidity. 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.

**STETSON RIDGE METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

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

**COLOTRUST (Continued)**

COLOTRUST EDGE, a variable Net Asset Value (NAV) Local Government Investment Pool, offers weekly liquidity and is managed to approximate a \$10.00 transactional share price. COLOTRUST EDGE may invest in securities authorized by Section 24-75-601.1, C.R.S., including U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies, and highest rated commercial paper.

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 PRIME and COLOTRUST PLUS+ are rated AAAm by Standard & Poor's. COLOTRUST EDGE is rated AAaf/S1 by FitchRatings. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST at net asset value as determined by fair value. There are no unfunded commitments, the redemption frequency is daily or weekly, 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 the District's long-term obligations for the year ended December 31, 2022:

	Balance December 31, 2021	Additions	Retirements	Balance December 31, 2022	Due Within One Year
Bonds Payable:					
Series 2007 Bonds - Principal	\$ 825,000	\$ -	\$ 185,000	\$ 640,000	\$ 190,000
Series 2007 Bonds - Discount	(14,039)	-	(5,350)	(8,689)	-
Total	<u>\$ 810,961</u>	<u>\$ -</u>	<u>\$ 179,650</u>	<u>\$ 631,311</u>	<u>\$ 190,000</u>

The details of the District's long-term obligations are as follows:

**STETSON RIDGE METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

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

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

On December 4, 2007, the District 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 the District 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, the District 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 the District, 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 the District.

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

The District 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 \$39,800 for the year ended December 31, 2022. As of December 31, 2022, accrued interest related to bonds payable totaled \$2,133.

**Events of Default**

The occurrence of any one or more of the following events or the existence of any one or more of the following conditions shall constitute an event of default under the Indenture:

- i. The District fails or refuses to impose the required mill levy or to apply the pledged revenue as provided in the indenture.
- ii. The District defaults in the performance or observance of any other of the covenants, agreements, or conditions on the part of the District in the indenture or the bond resolution, other than as described in paragraph (i) above, and fails to remedy the same after notice thereof pursuant to the indenture.
- iii. The District files a petition under the federal bankruptcy laws or other applicable bankruptcy laws seeking to adjust the obligation represented by the bonds.

**STETSON RIDGE METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

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

**Events of Default (Continued)**

It is acknowledged that due to the limited nature of the pledged revenue, the failure to pay the principal of or interest on the Bonds when due shall not, of itself, constitute an event of Default under the Indenture.

Upon the occurrence and continuance of an event of default, the trustee has the following rights and remedies which may be pursued:

- i. Receivership: Upon the filing of a bill in equity or other commencement of judicial proceedings to enforce the rights of the trustee and of the owners, the trustee is entitled to as a matter of right to the appointment of a receiver or receivers of the trust estate, and of the revenues, income, product, and profits there of pending such proceedings, subject however, to constitutional limitations inherent in the sovereignty of the District; but not withstanding the appointment of any receiver or other custodian, the trustee is to be entitled to the possession and control of any cash, securities, or other instruments at the time held by, or payable or deliverable under the provisions of the indenture to the trustee.
- ii. Suit for judgment: The trustee may proceed to protect and enforce its rights and the rights of the owners by suit, action, or special proceedings as the trustee, being advised by counsel, deems appropriate.
- iii. Mandamus or other suit: The trustee may proceed by mandamus or any other suit, action, or proceeding at law or in equity, to enforce all rights of the owners.

**No Acceleration**

Notwithstanding the foregoing or anything else herein to the contrary, acceleration shall not be an available remedy for an Event of Default.

As of December 31, 2022, the District was not in default.

The District's long-term obligations will mature as follows:

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 190,000	\$ 25,600	\$ 215,600
2024	200,000	18,000	218,000
2025	250,000	10,000	260,000
Total	<u>\$ 640,000</u>	<u>\$ 53,600</u>	<u>\$ 693,600</u>

**STETSON RIDGE METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**NOTE 5 NET POSITION**

The District 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. The District had restricted net positions of as of December 31, 2022 as follows:

	Governmental Activities
Restricted Net Position:	
Debt Service	\$ 991
Total Restricted Net Position	\$ 991

The District has a deficit in unrestricted net position. The deficit was a result of the District being responsible for the repayment of bonds issued for public improvements which were conveyed to other governmental entities and which costs were removed from the District'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, the District, and District No. 3, and may have conflicts of interest in dealing with the District.

**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) as of December 31, 2022. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials liability, boiler and machinery, and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

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

**STETSON RIDGE METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**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. The District 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 the District's revenue are reported in District No. 1.

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**

**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, 2022**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property Taxes	\$ 218,001	\$ 218,001	\$ 217,468	\$ (533)
Interest Income	-	-	2,451	2,451
Total Revenues	<u>218,001</u>	<u>218,001</u>	<u>219,919</u>	<u>1,918</u>
<b>EXPENDITURES</b>				
County Treasurer's Fee	3,270	3,270	3,264	6
Paying Agent Fees	1,400	1,400	2,800	(1,400)
Bond Interest	33,000	33,000	33,000	-
Bond Principal	185,000	185,000	185,000	-
Total Expenditures	<u>222,670</u>	<u>222,670</u>	<u>224,064</u>	<u>(1,394)</u>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>	(4,669)	(4,669)	(4,145)	524
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers to Other Fund	-	(640,000)	(637,921)	(2,079)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(640,000)</u>	<u>(637,921)</u>	<u>(2,079)</u>
<b>NET CHANGE IN FUND BALANCE</b>	(4,669)	(644,669)	(642,066)	2,603
Fund Balance - Beginning of Year	<u>688,206</u>	<u>688,206</u>	<u>688,190</u>	<u>(16)</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 683,537</u>	<u>\$ 43,537</u>	<u>\$ 46,124</u>	<u>\$ 2,587</u>

## **OTHER INFORMATION**

**STETSON RIDGE METROPOLITAN DISTRICT NO. 2**  
**SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY – SERIES 2007**  
**DECEMBER 31, 2022**

	\$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>
2023	\$ 190,000	\$ 25,600	\$ 215,600
2024	200,000	18,000	218,000
2025	250,000	10,000	260,000
Total	<u>\$ 640,000</u>	<u>\$ 53,600</u>	<u>\$ 693,600</u>

**STETSON RIDGE METROPOLITAN DISTRICT NO. 2  
SCHEDULE OF ASSESSED VALUATION,  
MILL LEVY, AND PROPERTY TAXES COLLECTED  
DECEMBER 31, 2022**

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	
2018	\$ 32,778,120	8.467	18.541	\$ 885,271	\$ 885,730	100.05%
2019	33,394,690	20.770	6.217	901,222	901,456	100.03
2020	39,054,510	21.727	5.413	1,059,940	1,059,892	100.00
2021	40,803,870	21.727	5.413	1,107,417	1,107,413	100.00
2022	47,165,950	29.009	4.622	1,586,238	1,582,736	99.78
Estimated for the Year Ending <u>December 31,</u>						
2023	\$ 46,595,590	27.850	4.800	\$ 1,521,346		

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.