

STERLING RANCH METROPOLITAN DISTRICT NO. 1

FINANCIAL STATEMENTS

DECEMBER 31, 2020

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BiggsKofford
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors

Sterling Ranch 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 Sterling Ranch 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 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 Supplemental 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.

Other 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 supplemental 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.

The supplemental 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.

BiggsKofford, P.C.

Colorado Springs, Colorado
September 29, 2021

BASIC FINANCIAL STATEMENTS

STERLING RANCH METROPOLITAN DISTRICT NO. 1
STATEMENT OF NET POSITION
DECEMBER 31, 2020

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash and investments	\$ 181,255
Cash and investments - restricted	20,710,535
Property taxes receivable	3,618
Infrastructure assets	1,169,170
Total assets	22,064,578
<u>LIABILITIES</u>	
Accounts payable	2,748
Due to Sterling Ranch Metropolitan District No. 2	5,941
Due to Sterling Ranch Metropolitan District No. 3	5,364
Accrued interest	94,000
Developer advances	179,650
General obligation limited tax bonds:	
Due in more than one year	22,623,104
Total liabilities	22,910,807
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Deferred property tax revenues	3,618
Total deferred inflows of resources	3,618
<u>NET POSITION</u>	
Restricted for:	
Debt service	20,788,661
Emergency reserve	267
Unrestricted	(21,638,775)
Total net position	\$ (849,847)

The accompanying notes and independent auditor's report
should be read with these financial statements.

STERLING RANCH METROPOLITAN DISTRICT NO. 1
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
FUNCTIONS/PROGRAMS					
PRIMARY GOVERNMENT:					
General government	\$ 8,933	\$ -	\$ -	\$ -	\$ (8,933)
Interest and related costs on long-term debt	847,447	-	-	-	(847,447)
Total primary government	\$ 856,380	\$ -	\$ -	\$ -	(856,380)
GENERAL REVENUES:					
Property taxes					4,084
Other income					5,357
Interest income					1,050
Total general revenues					10,491
Changes in net position					(845,889)
Net position, beginning of year					(3,958)
Net position, end of year					\$ (849,847)

The accompanying notes and independent auditor's report should be read with these financial statements.

STERLING RANCH METROPOLITAN DISTRICT NO. 1
BALANCE SHEETS
GOVERNMENTAL FUNDS
DECEMBER 31, 2020

	General Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<u>ASSETS</u>				
Cash and investments	\$ 181,255	\$ -	\$ -	\$ 181,255
Cash and investments - restricted	-	-	20,710,535	20,710,535
Property taxes receivable	723	-	2,895	3,618
Due from general fund	-	-	172,126	172,126
Total assets	\$ 181,978	\$ -	\$ 20,885,556	21,067,534
<u>LIABILITIES</u>				
Accounts payable	2,748	-	-	2,748
Due to Sterling Ranch Metropolitan District No. 2	5,941	-	-	5,941
Due to Sterling Ranch Metropolitan District No. 3	5,364	-	-	5,364
Due to debt service fund	172,126	-	-	172,126
Total liabilities	186,179	-	-	186,179
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred property tax revenues	723	-	2,895	3,618
Total deferred inflows of resources	723	-	2,895	3,618
<u>FUND BALANCE</u>				
Restricted for:				
Debt service	-	-	20,882,661	20,882,661
Emergency reserve	267	-	-	267
Unassigned:				
General government	(5,191)	-	-	(5,191)
Total fund balances	(4,924)	-	20,882,661	20,877,737
Total liabilities and fund balances	\$ 181,978	\$ -	\$ 20,885,556	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Infrastructure assets	1,169,170
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Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:

Accrued interest	(94,000)
Developer advances	(179,650)
Bonds payable	(22,623,104)

Net position of governmental activities	\$ (849,847)
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The accompanying notes and independent auditor's report
should be read with these financial statements.

STERLING RANCH METROPOLITAN DISTRICT NO. 1
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2020

	General Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES				
Property taxes	\$ 817	\$ -	\$ 3,267	\$ 4,084
Other income	5,357	-	-	5,357
Net investment income	1,050	-	-	1,050
Total revenues	7,224	-	3,267	10,491
EXPENDITURES				
Current:				
Accounting	1,500	-	-	1,500
Bank charges	34	-	-	34
County Treasurer's fees	11	-	45	56
Dues	1,757	-	-	1,757
Insurance	2,838	-	-	2,838
Professional fees	2,748	-	-	2,748
Bond issuance cost	-	-	690,343	690,343
Capital outlay	-	1,169,170	-	1,169,170
Total expenditures	8,888	1,169,170	690,388	1,868,446
Excess of revenues over (under) expenditures	(1,664)	(1,169,170)	(687,121)	(1,857,955)
OTHER FINANCING SOURCES (USES)				
Bond issuance	-	-	22,560,000	22,560,000
Developer advances	-	-	176,100	176,100
Transfers to (from) other funds	(2,852)	1,169,170	(1,166,318)	-
Total other financing sources (uses)	(2,852)	1,169,170	21,569,782	22,736,100
Net change in fund balances	(4,516)	-	20,882,661	20,878,145
Fund balances, beginning of year	(408)	-	-	(408)
Fund balances, end of year	\$ (4,924)	\$ -	\$ 20,882,661	\$ 20,877,737

The accompanying notes and independent auditor's report should be read with these financial statements.

**STERLING RANCH METROPOLITAN DISTRICT NO. 1
RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020**

Net change in fund balances - total governmental funds	\$ 20,878,145
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Amounts reported for governmental activities in the statement of activities are different because:

Infrastructure assets, used in governmental activities are not financial resources and, therefore, are not reported in the funds.

<u>Infrastructure assets</u>	1,169,170
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The issuance of debt provides current financial resources to governmental funds, while the repayment of principal of debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The net effect of these differences in the treatment of debt is as follows.

<u>Accrued interest</u>	(94,000)
<u>Developer advances</u>	(176,100)
<u>Bond issuance</u>	(22,560,000)
<u>Bond premium</u>	<u>(63,104)</u>

<u>Change in net position of governmental activities</u>	<u>\$ (845,889)</u>
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The accompanying notes and independent auditor's report
should be read with these financial statements.

STERLING RANCH METROPOLITAN DISTRICT NO. 1
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2020

	Budget Original and Final	Actual Amounts	Variance with Final Budget Positive (Negative)
<u>REVENUES</u>			
Property taxes	\$ 774	\$ 817	\$ 43
Water and wastewater revenue	90,360	-	(90,360)
Other income	-	5,357	5,357
Net investment income	-	1,050	1,050
Total revenues	91,134	7,224	(83,910)
<u>EXPENDITURES</u>			
Accounting	7,000	1,500	5,500
Bank charges	200	34	166
County Treasurer's fees	11	11	-
Dues	500	1,757	(1,257)
Insurance	10,000	2,838	7,162
Professional fees	7,800	2,748	5,052
Water and wastewater operations	191,543	-	191,543
Total expenditures	217,054	8,888	208,166
<u>OTHER FINANCING SOURCES</u>			
Transfers to (from) other funds	-	(2,852)	(2,852)
Total other financing sources (uses)	-	(2,852)	(2,852)
Net change in fund balance	\$ (125,920)	(4,516)	\$ 124,256
Fund balance, beginning of year		(408)	
Fund balance, end of year		\$ (4,924)	

The accompanying notes and independent auditor's report
should be read with these financial statements.

STERLING RANCH METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

1. DEFINITION OF REPORTING ENTITY

Sterling Ranch Metropolitan District No. 1 ("District No. 1"), a quasi-municipal corporation and a political subdivision of the state of Colorado created pursuant to the Special District Act, was formed in 2010 for the purpose of providing the funding for various public improvements. District No. 1's service area is located in El Paso County, Colorado ("County").

District No. 1 was formed in conjunction with Sterling Ranch Metropolitan District No. 2 ("District No. 2") and Sterling Ranch Metropolitan District No. 3 ("District No. 3") to design, finance, and construct a central water system, drainage improvements, an interconnected system of trails, parks, open spaces, and transportation improvements for Marksheffel Road, Vollmer Road, Banning Lewis Parkway, and Stapleton Road.

District No. 1 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.

District No. 1 is not financially accountable for any other organization nor is District No. 1 a component unit of any other primary governmental entity.

District No. 1 has no employees and all operational and administrative functions are contracted.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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. 1. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by property taxes, specific ownership taxes, recoveries and intergovernmental revenues.

The statement of net position reports all financial and capital resources of District No. 1. The difference between the assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is reported as net position.

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

See independent auditor's report.

STERLING RANCH METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-wide and fund financial statements (continued)

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

Measurement focus, basis of accounting and financial statement position

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. 1 considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes and intergovernmental revenue. All other revenue items are considered to be measurable and available only when cash is received by District No. 1. District No. 1 has determined that developer advances are not considered as revenue susceptible to accrual. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is due.

District No. 1 reports the following major governmental funds:

General fund - The general fund is used to account for all financial resources of District No. 1 except those required to be accounted for in another fund.

Capital projects fund - The capital projects fund accounts for financial resources to be used for the acquisition and construction of capital equipment and facilities.

Debt service fund - The debt service fund accounts for the servicing of general long-term debt and revenues generated and received by District No. 1 that are required to be used in payment of long-term debt.

Budgets

In accordance with state budget law, District No. 1'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. 1'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. 1 incurred expenditures in excess of appropriations for the year ended December 31, 2020 in the debt service fund, which may be a violation of local government budget law.

See independent auditor's report.

STERLING RANCH METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pooled cash and investments

District No. 1 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.

Infrastructure assets

Costs of certain engineering, feasibility, environmental and other infrastructure costs are capitalized as infrastructure assets, and are not depreciated. Upon completion of the infrastructure assets and acceptance, the assets will be contributed to the County.

Property taxes

District No. 1 levies property taxes. 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 and attaches as an enforceable lien 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, at the taxpayer's election, in February and June in equal installments. 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 to District No. 1 monthly.

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

Interfund balances

District No. 1 reports interfund balances that are representative of lending/borrowing arrangements between funds in the fund financial statements as due to/from other funds. The interfund balances have been eliminated in the government-wide statements.

Equity

Net position

For government-wide presentation purposes when both restricted and unrestricted resources are available for use, it is District No. 1's practice to use restricted resources first, then unrestricted resources as they are needed.

See independent auditor's report.

STERLING RANCH METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity (continued)

Fund balance

Fund balance for governmental funds are 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 is legally or contractually required to be maintained intact.

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

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

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

Unassigned fund balance - The residual portion of fund balance that does not meet any of the criteria described above.

If more than one classification of fund balance is available for use when an expenditure is incurred, it is District No. 1's policy to use the most restrictive classification first.

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	\$ 181,255
Cash and investments - restricted	<u>20,710,535</u>
Total cash and investments	<u><u>\$20,891,790</u></u>

See independent auditor's report.

STERLING RANCH METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

3. CASH AND INVESTMENTS (CONTINUED)

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

Deposits with financial institutions	\$ 181,255
Investments	<u>20,710,535</u>
Total cash and investments	<u><u>\$20,891,790</u></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. The 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 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, 2020, District No. 1's cash deposits had a bank balance of \$247,583 and a carrying balance of \$181,255.

Investments

District No. 1 has not adopted a formal investment policy, however, District No. 1 follows state statutes regarding investments.

District No. 1 generally limits its concentration of investments to those which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. District No. 1 is not subject to concentration risk disclosure requirements or subject to investment custodial credit risk for investments that are in the possession of another party.

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

See independent auditor's report.

STERLING RANCH METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

3. CASH AND INVESTMENTS (CONTINUED)

Investments (continued)

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 United States government agency securities
- Certain international agency securities
- General obligation and revenue bonds of United States local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certificates of deposit in Colorado PDPA approved banks or savings banks
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

As of December 31, 2020, District No. 1 had the following investments:

Investments	Maturity	Fair Value
Colorado Surplus Asset Trust Fund (CSAFE)	Weighted average under 60 days	<u>\$20,710,535</u>

CSAFE

District No. 1 invested in the Colorado Surplus Asset Fund Trust ("CSAFE" or "Trust"), which is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all state statutes governing the Trust. The Trust is similar to a money market fund, with each share valued at \$1. CSAFE may invest in US Treasury securities, repurchase agreements collateralized by US Treasury securities, certain money market funds and highest rated commercial paper. A designated custodial bank serves as custodian for CSAFE's portfolio pursuant to a custodian agreement. The custodian acts as safekeeping agent for CSAFE's investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by CSAFE. CSAFE is rated AAAM by Standard & Poor's. CSAFE records its investments at amortized cost and District No. 1 records its investments in CSAFE using the amortized cost method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

See independent auditor's report.

STERLING RANCH METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

4. INFRASTRUCTURE ASSETS

The following is a summary schedule of infrastructure asset activity recorded by District No. 1 during the year ended December 31, 2020:

	Balance 01/01/20	Additions/ Reclass- ifications	Dispositions/ Reclass- ifications	Balance 12/31/20
Infrastructure assets	\$ -	\$ 1,169,170	\$ -	\$ 1,169,170

5. LONG-TERM OBLIGATIONS

The following is a summary of bonds payable for the year ended December 31, 2020 as follows:

	Balance 01/01/20	Additions	Repayments/ Accretion	Balance 12/31/20	Due within one year
Series 2020 Bonds	\$ -	\$ 22,560,000	\$ -	\$ 22,560,000	\$ -
Series 2020 Bond Premium	-	63,104	-	63,104	-
	<u>\$ -</u>	<u>\$ 22,623,104</u>	<u>\$ -</u>	<u>\$ 22,623,104</u>	<u>\$ -</u>

Series 2020 Bonds

In December 2020, District No. 1 issued bonds with an original value of \$22,560,000. The bonds bear interest at a rate between 5% and 5.125% per annum, to be paid to bondholders semi-annually on each June 1 and December 1, beginning on June 1, 2021. The bonds mature on December 1, 2050 and are subject to redemption prior to maturity at the option of District No. 1. Any redemptions during that period must be in amounts greater than \$1,000 and are subject to prepayment fees ranging from 1.00% to 3.00%. The bonds are subject to mandatory sinking fund redemption prior to maturity on each December 1st from 2028 through maturity in 2045. The bonds will be paid from pledged revenues including the required mill levy, capital fees, a portion of specific ownership taxes which are collected as a result of imposition of the required mill levy and any other legally available moneys.

District No. 1 is required, pursuant to the bond agreement, to maintain project, surplus, loan payment, and cost of issuance cash accounts. District No. 1 is in compliance with the requirements as of December 31, 2020.

See independent auditor's report.

STERLING RANCH METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

5. LONG-TERM OBLIGATIONS (CONTINUED)

Series 2020 Bonds (continued)

Annual requirements to amortize 2020 Series Bonds:

<u>Year Ending December 31,</u>	<u>Principal Payments</u>	<u>Interest/ Accretion</u>	<u>Total</u>
2021	\$ -	\$ 1,146,569	\$ 1,146,569
2022	-	1,146,569	1,146,569
2023	-	1,146,569	1,146,569
2024	-	1,146,569	1,146,569
2025	-	1,146,569	1,146,569
2026-2030	1,070,000	5,688,595	6,758,595
2031-2035	2,710,000	5,214,845	7,924,845
2036-2040	3,925,000	4,422,345	8,347,345
2041-2045	5,470,000	3,283,075	8,753,075
2046-2050	9,385,000	1,679,976	11,064,976
Total	<u>\$22,560,000</u>	<u>\$26,021,681</u>	<u>\$48,581,681</u>

Developer advances

In October 2015, District No. 1 entered into a reimbursement agreement with the developer under which the District will reimburse the developer for the cost of aquisition improvements that benefit District No. 1 and development within District No. 1. District No. 1 agreed to repay such advances plus simple interest at a rate set forth at the time of the initial issuance. The interest rate established in the reimbursement agreement set at the prime rate plus 2%. As of December 31, 2020 developer advances payable are \$179,650.

See independent auditor's report.

STERLING RANCH METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

6. NET POSITION

District No. 1 has a net position consisting of two components: restricted and unrestricted.

Restricted positions include net positions that are subject to restrictions 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. 1 had a restricted net position of as of December 31, 2020 as follows:

	Government Activities
Restricted net position:	
Debt service (Note 5)	\$ 20,788,661
Emergency reserves (Note 10)	267
Total restricted net position	\$ 20,788,928

District No. 1's unrestricted net position as of December 31, 2020 totaled a deficit of \$21,638,775. This deficit amount was a result of District No. 1's responsibility for the repayment of general obligation bonds related to assets which have not been completed as of year end.

7. RELATED PARTIES

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

8. ECONOMIC DEPENDENCY

District No. 1 has not yet established a revenue base sufficient to pay operational and capital expenditures and meet debt service requirements. Until an independent revenue base is established, continuation of operations in District No. 1 and construction of public improvements will be dependent upon funding by a developer.

9. RISK MANAGEMENT

District No. 1 is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to contractors; or acts of God.

District No. 1 is a member of the Colorado Special Districts Property and Liability Pool ("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. 1 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.

See independent auditor's report.

STERLING RANCH METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

10. 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 within the state of Colorado.

Spending and revenue limits are determined based on the prior 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. District No. 1's voters approved a ballot issue allowing District No. 1 to retain all revenues.

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. 1'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 likely require judicial interpretation.

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See independent auditor's report.

SUPPLEMENTAL INFORMATION

STERLING RANCH METROPOLITAN DISTRICT NO. 1
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2020

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>REVENUES</u>				
Net investment income	\$ -	\$ 1,047	\$ -	\$ (1,047)
Total revenues	-	1,047	-	(1,047)
<u>EXPENDITURES</u>				
Capital outlay	-	7,232,091	1,169,170	6,062,921
Total expenditures	-	7,232,091	1,169,170	6,062,921
<u>OTHER FINANCING SOURCES</u>				
Transfers to (from) other funds	-	22,624,151	1,169,170	(21,454,981)
Total other financing sources (uses)	-	22,624,151	1,169,170	(21,454,981)
Net change in fund balance	<u>\$ -</u>	<u>\$15,393,107</u>	-	<u>\$ (27,518,949)</u>
Fund balance, beginning of year			-	
Fund balance, end of year			<u>\$ -</u>	

See independent auditor's report.

STERLING RANCH METROPOLITAN DISTRICT NO. 1
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2020

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 3,098	\$ 3,098	\$ 3,267	\$ 169
Total revenues	3,098	3,098	3,267	169
EXPENDITURES				
County Treasurer's fees	53	53	45	8
Bond issuance cost	-	-	690,343	(690,343)
Total expenditures	53	53	690,388	(690,335)
OTHER FINANCING SOURCES				
Bond issuance	-	22,623,104	22,560,000	(63,104)
Developer advances	-	-	176,100	176,100
Transfers to (from) other funds	-	(22,624,151)	(1,166,318)	21,457,833
Total other financing sources	-	(1,047)	21,569,782	21,570,829
Net change in fund balance	\$ 3,045	\$ 1,998	20,882,661	\$ 22,261,333
Fund balance, beginning of year			-	
Fund balance, end of year			\$ 20,882,661	

See independent auditor's report.