

**STERLING RANCH
METROPOLITAN DISTRICT NO. 2
El Paso County, Colorado**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2023

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BiggsKofford

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Sterling Ranch 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 Sterling Ranch Metropolitan District No. 2 ("District"), as of and for the year ended December 31, 2023, 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, 2023, 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 for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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
September 9, 2024

BASIC FINANCIAL STATEMENTS

STERLING RANCH METROPOLITAN DISTRICT NO. 2
STATEMENT OF NET POSITION
DECEMBER 31, 2023

	<u>Governmental Activities</u>
ASSETS	
Cash and Investments	\$ 259
Cash and Investments - Restricted	9,028,546
Receivable from County Treasurer	4,281
Property Tax Receivable	798,261
Total Assets	<u>9,831,347</u>
DEFERRED OUTFLOWS OF RESOURCES	
Cost of Refunding, Net	<u>324,307</u>
Total Deferred Outflows of Resources	324,307
LIABILITIES	
Due to Other Districts - SRMD No. 3	1,115
Accrued Bond Interest	176,097
Noncurrent Liabilities:	
Due in More Than One Year	<u>37,580,358</u>
Total Liabilities	<u>37,757,570</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Property Tax	<u>798,261</u>
Total Deferred Inflows of Resources	<u>798,261</u>
NET POSITION	
Restricted for:	
Debt Service	1,813,060
Unrestricted	<u>(30,213,237)</u>
Total Net Position	<u><u>\$ (28,400,177)</u></u>

See accompanying Notes to Basic Financial Statements.

STERLING RANCH METROPOLITAN DISTRICT NO. 2
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2023

		Program Revenues			Net Revenues (Expenses) and Changes in Net Position
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
FUNCTIONS/PROGRAMS					
Primary Government:					
Governmental Activities:					
General Government	\$ 118,082	\$ -	\$ -	\$ -	\$ (118,082)
Transfer of Public Improvements to SRMD No. 3	10,515,993	-	-	-	(10,515,993)
Intergovernmental Expense - SRMD No. 3	255,330	-	-	-	(255,330)
Interest on Long-Term Debt and Related Costs	2,143,774	-	579,600	-	(1,564,174)
Total Governmental Activities	\$ 13,033,179	\$ -	\$ 579,600	\$ -	(12,453,579)
GENERAL REVENUES					
Property Taxes					532,226
Specific Ownership Taxes					55,729
Interest Income					839,911
Total General Revenues and Transfers					1,427,866
CHANGES IN NET POSITION					(11,025,713)
Net Position - Beginning of Year					(17,374,464)
NET POSITION - END OF YEAR					\$ (28,400,177)

See accompanying Notes to Basic Financial Statements.

**STERLING RANCH METROPOLITAN DISTRICT NO. 2
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2023**

	General	Debt Service	Capital Projects	Total Governmental Funds
ASSETS				
Cash and Investments	\$ 259	\$ -	\$ -	\$ 259
Cash and Investments - Restricted	-	5,242,482	3,786,064	9,028,546
Receivable from County Treasurer	856	3,425	-	4,281
Property Tax Receivable	159,652	638,609	-	798,261
Total Assets	\$ 160,767	\$ 5,884,516	\$ 3,786,064	\$ 9,831,347
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Due to Other Districts - SRMD No. 3	\$ 1,115	\$ -	\$ -	\$ 1,115
Total Liabilities	1,115	-	-	1,115
DEFERRED INFLOWS OF RESOURCES				
Deferred Property Tax	159,652	638,609	-	798,261
Total Deferred Inflows of Resources	159,652	638,609	-	798,261
FUND BALANCES				
Restricted for:				
Debt Service	-	5,245,907	-	5,245,907
Capital Projects	-	-	3,786,064	3,786,064
Total Fund Balances	-	5,245,907	3,786,064	9,031,971
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 160,767	\$ 5,884,516	\$ 3,786,064	

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

Cost of Refunding, Net	324,307
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	(37,475,000)
Accrued Bond Interest	(176,097)
Developer Advance Payable	(102,325)
Accrued Developer Advance Interest	(3,033)
Net Position of Governmental Activities	\$ (28,400,177)

See accompanying Notes to Basic Financial Statements.

STERLING RANCH METROPOLITAN DISTRICT NO. 2
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2023

	General	Debt Service	Capital Projects	Total Governmental Funds
REVENUES				
Property Taxes	\$ 106,440	\$ 425,786	\$ -	\$ 532,226
Specific Ownership Taxes	11,145	44,584	-	55,729
Interest Income	497	307,616	531,798	839,911
District Impact Fees	-	579,600	-	579,600
Total Revenues	<u>118,082</u>	<u>1,357,586</u>	<u>531,798</u>	<u>2,007,466</u>
EXPENDITURES				
Current:				
County Treasurer's Fee	1,598	6,393	-	7,991
Intergovernmental expenditures - SRMD No. 3	116,484	-	255,330	371,814
Debt Service:				
Bond Interest	-	2,113,163	-	2,113,163
Paying Agent Fees	-	4,000	-	4,000
Capital Projects:				
Capital Outlay	-	-	10,515,993	10,515,993
Total Expenditures	<u>118,082</u>	<u>2,123,556</u>	<u>10,771,323</u>	<u>13,012,961</u>
EXCESS OF REVENUES UNDER EXPENDITURES	-	(765,970)	(10,239,525)	(11,005,495)
OTHER FINANCING SOURCES (USES)				
Developer Advance	-	-	102,325	102,325
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>102,325</u>	<u>102,325</u>
NET CHANGE IN FUND BALANCES	-	(765,970)	(10,137,200)	(10,903,170)
Fund Balances - Beginning of Year	<u>-</u>	<u>6,011,877</u>	<u>13,923,264</u>	<u>19,935,141</u>
FUND BALANCES - END OF YEAR	<u>\$ -</u>	<u>\$ 5,245,907</u>	<u>\$ 3,786,064</u>	<u>\$ 9,031,971</u>

See accompanying Notes to Basic Financial Statements.

**STERLING RANCH 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, 2023**

Net Change in Fund Balances - Total Governmental Funds \$ (10,903,170)

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

Governmental funds report capital outlays as expenditures. In the statement of activities capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense the allocation of the cost of any depreciable asset over the estimated useful life of the asset. Therefore, this is the amount of capital outlay, depreciation and dedication of capital assets to other governments, in the current period.

Capital Outlay	10,515,993
Transfer of Public Improvements to Other Governments	(10,515,993)

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of government funds. Neither transaction, however, has any effect on net position.

Developer Advance	(102,325)
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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 Payable Developer Advance - Change in Liability	(3,033)
Amortization of Cost of Bond Refunding	(17,185)
	(20,218)

Changes in Net Position of Governmental Activities \$ (11,025,713)

**STERLING RANCH METROPOLITAN DISTRICT NO. 2
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2023**

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ 106,437	\$ 106,437	\$ 106,440	\$ 3
Specific Ownership Taxes	10,644	10,752	11,145	393
Interest Income	-	500	497	(3)
Other revenue	-	1,311	-	(1,311)
Total Revenues	<u>117,081</u>	<u>119,000</u>	<u>118,082</u>	<u>(918)</u>
EXPENDITURES				
Contingency	-	1,311	-	1,311
County Treasurer's Fee	1,597	1,597	1,598	(1)
Intergovernmental expenditures - SRMD No. 3	115,484	116,092	116,484	(392)
Total Expenditures	<u>117,081</u>	<u>119,000</u>	<u>118,082</u>	<u>918</u>
NET CHANGE IN FUND BALANCE	-	-	-	-
Fund Balance - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See accompanying Notes to Basic Financial Statements.

STERLING RANCH METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1 DEFINITION OF REPORTING ENTITY

Sterling Ranch Metropolitan District No. 2 (the District), a quasi-municipal corporation and political subdivision of the State of Colorado, was organized by order and decree of the District Court for El Paso County, Colorado on February 1, 2011, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District's service area is located entirely within the City of Colorado Springs (City) in El Paso County, Colorado. The Consolidated Service Plan, approved by the City on March 7, 2011, formed Sterling Ranch Metropolitan District Nos. 1 – 3. The District was organized to provide planning, acquisition, construction, installation and financing of public improvements, including streets, water, wastewater, traffic and safety, park and recreation, mosquito control, television relay and transportation facilities, primarily for residential and commercial development.

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

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements, which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

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

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Government-Wide and Fund Financial Statements

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

STERLING RANCH METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

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.

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.

The Capital Projects Fund is used to account for financial resources to be used for the acquisition and construction of capital equipment and facilities.

STERLING RANCH METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

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

The District amended its annual budget for the year ended December 31, 2023.

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 and investments.

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 property tax revenues are recorded as revenue in the year they are available or collected.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities' columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Capital assets which are anticipated to be conveyed to other governmental entities are recorded as construction in progress, and are not included in the calculation of net investment in capital assets component of the District's net position.

STERLING RANCH METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cost of Bond Refunding

In the government-wide financial statements, the deferred cost of bond refunding is being amortized using the interest method over the life of the bonds. The amortization amount is a component of interest expense, and the unamortized deferred cost is reflected as a deferred outflow of resources.

Deferred Inflows of Resources

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.

STERLING RANCH METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity (Continued)

Fund Balance (Continued)

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

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

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

District Impact Fees

The District assesses a one-time district impact fee of \$2,800 per lot intended for servicing the long-term obligations.

NOTE 3 CASH AND INVESTMENTS

Cash and investments as of December 31, 2023, are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and Investments	\$ 259
Cash and Investments - Restricted	9,028,546
Total Cash and Investments	\$ 9,028,805

Cash and investments as of December 31, 2023, consist of the following:

Deposits with Financial Institutions	\$ 101
Investments	9,028,704
Total Cash and Investments	\$ 9,028,805

Deposits with Financial Institutions

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

**STERLING RANCH METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Deposits with Financial Institutions (Continued)

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

At December 31, 2023, the District's cash deposits had a bank balance of \$101 and a carrying balance of \$101.

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.

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, 2023, 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	\$ 9,028,704
		<u>\$ 9,028,704</u>

STERLING RANCH METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

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.

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 CRS 24-75-601, including U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, 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 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.

NOTE 4 CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2023 follows:

	Balance at December 31, 2022	Increases	Decreases	Balance at December 31, 2023
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Capital Assets Not Being Depreciated	\$ -	\$ 10,515,993	\$ 10,515,993	\$ -
Total Capital Assets, Not Being Depreciated	<u>\$ -</u>	<u>\$ 10,515,993</u>	<u>\$ 10,515,993</u>	<u>\$ -</u>

STERLING RANCH METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 4 CAPITAL ASSETS (CONTINUED)

During 2023, a significant portion of the capital assets constructed by the District were conveyed to District No. 3. The costs of all capital assets transferred were removed from the District's financial records.

NOTE 5 LONG-TERM OBLIGATIONS

The following is an analysis of changes in the District's long-term obligations for the year ended December 31, 2023:

	Balance at December 31, 2022	Additions	Reductions	Balance at December 31, 2023	Due Within One Year
Bonds Payable:					
General Obligation Bonds					
Series 2022	\$ 37,475,000	\$ -	\$ -	\$ 37,475,000	\$ -
Subtotal Bonds Payable	37,475,000	-	-	37,475,000	-
Developer Advances:					
SR Land - Capital	-	102,325	-	102,325	-
Accrued Interest on:					
SR Land - Capital	-	3,033	-	3,033	-
Subtotal Developer Advances	-	105,358	-	105,358	-
Total Long-Term Obligations	<u>\$ 37,475,000</u>	<u>\$ 105,358</u>	<u>\$ -</u>	<u>\$ 37,580,358</u>	<u>\$ -</u>

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

\$37,475,000 Series 2022 General Obligation Limited Tax Refunding and Improvement Bonds

On May 11, 2022, the District issued Series 2022 General Obligation Limited Tax Refunding and Improvement Bonds (Series 2022 Bonds) for the purposes of (a) funding a portion of the costs of acquiring, constructing, and/or installing certain public infrastructure to serve the development; (b) refunding the Series 2015 Bonds; (c) paying a portion of the interest to accrue on the Bonds; (d) funding a deposit to the Reserve Fund in the amount of the Required Reserve; and (e) paying the costs of issuing the Bonds and refunding the Series 2015 Bonds. The Series 2022 Bonds were issued in the amount of \$37,475,000.

The Series 2022 Bonds bear interest at rates ranging from 5.25% to 5.75%, payable semi-annually on June 1 and December 1, beginning on June 1, 2022. The Series 2022 Bonds were issued as three term bonds that have mandatory sinking fund principal payments due annually on December 1, beginning on December 1, 2028. The Series 2022 Bonds mature on December 1, 2032, 2042, and 2051, respectively.

To the extent principal of any Bond is not paid when due, principal shall remain Outstanding until the earlier of its payment or the Termination Date and shall continue to bear interest at the rate then borne by the Bond. To the extent interest on any Bond is not paid when due, such interest shall compound on each interest payment date, at the rate then borne by the Bond.

STERLING RANCH METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

\$37,475,000 Series 2022 General Obligation Limited Tax Refunding and Improvement Bonds (Continued)

The Series 2022 Bonds and interest thereon shall be deemed to be paid, satisfied, and discharged on December 2, 2062 (the "Termination Date"), regardless of the amount of principal and interest paid prior to the Termination Date.

Optional Redemption

The Series 2022 Bonds are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$1,000, in any order of maturity and in whole or partial maturities, on June 1, 2030, and on any date thereafter, upon payment of par, accrued interest, and a redemption premium equal to a percentage of the principal amount so redeemed as follows:

<u>Date of Redemption</u>	<u>Redemption Premium</u>
June 1, 2030, to May 31, 2031	2.00%
June 1, 2031, to May 31, 2032	1.00%
June 1, 2032, and thereafter	0.00%

Pledged Revenue

The Series 2022 Bonds are secured by and payable solely from and to the extent of Pledged Revenue, net of the cost of collection, derived by the District from the following sources:

- (a) the Required Mill Levy;
- (b) the Capital Fees;
- (c) the portion of the Specific Ownership Tax which is collected as a result of the imposition of the Required Mill Levy, and
- (d) any other legally available moneys which the District determines, in its absolute discretion, to transfer to the Trustee for application as Pledged Revenue.

Required Mill Levy

The Required Mill Levy has the following meaning, net of the collection costs of the County and any tax refunds or abatements authorized by or on behalf of the County:

An ad valorem mill levy imposed upon all taxable property of the District each year in an amount sufficient to pay the Bonds as they come due, and if necessary, an amount sufficient to replenish the Reserve Fund to the amount of the Required Reserve, but (i) not in excess of 50 mills (as adjusted for changes in the method of calculating assessed valuation or any constitutionally mandated tax credit, cut, or abatement on or after January 1, 2010), and (ii) for so long as the Surplus Fund is less than the Maximum Surplus Amount, not less than 40 mills, as adjusted, or such lesser mill levy which will pay the Series 2022 Bonds as they come due, will replenish the Reserve Fund to the amount of the Required Reserve, and will fund the Surplus Fund up to the Maximum Surplus Amount.

STERLING RANCH METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

\$37,475,000 Series 2022 General Obligation Limited Tax Refunding and Improvement Bonds (Continued)

Reserve Fund

The Series 2022 Bonds are additionally secured by the Reserve Fund, which will initially be funded with proceeds of the Series 2022 Bonds in the amount of \$3,256,750 (the "Required Reserve"). Amounts on deposit in the Reserve Fund on the final maturity date of the Bonds are to be applied to the payment of the Bonds on such date.

Moneys in the Reserve Fund shall be used by the Trustee, if necessary, only to prevent a default in the payment of the principal of, premium if any, or interest on the Series 2022 Bonds, and the Reserve Fund is pledged to the payment of the Bonds.

Surplus Fund

Pledged Revenue that is not needed to pay debt service on the Series 2022 Bonds in any year will be deposited to and held in the Surplus Fund, up to the Maximum Surplus Amount of \$3,747,500. The Surplus Fund is to be maintained for so long as any Bond is outstanding.

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 constitutes an event of default under the indenture:

- (a) The District fails or refuses to impose the Required Mill Levy or to apply the Pledged Revenue as required by the Indenture;
- (b) The District defaults in the performance of observance of any of the covenants, agreements, or conditions on the part of the District in the Indenture or the Bond Resolution, other than as described above, and fails to remedy the same after notice thereof pursuant to the Indenture, or
- (c) The District files a petition under the federal bankruptcy laws or other applicable bankruptcy laws seeking to adjust the obligation represented by the Series 2022 Bonds.

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 does not, in itself, constitute an event of default under the indenture.

STERLING RANCH METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

\$37,475,000 Series 2022 General Obligation Limited Tax Refunding and Improvement Bonds (Continued)

Events of Default (Continued)

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

- (a) 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 thereof pending such proceedings, subject however, to the constitutional limitations inherent in the sovereignty of the District; but notwithstanding 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.
- (b) 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.
- (c) 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.

The District's long-term obligations on the 2022 Series Bonds mature as follows:

Year Ending December 31,	Principal	Interest	Total
2024	\$ -	\$ 2,113,163	\$ 2,113,163
2025	-	2,113,163	2,113,163
2026	-	2,113,163	2,113,163
2027	-	2,113,163	2,113,163
2028	260,000	2,113,163	2,373,163
2029-2033	3,175,000	10,197,789	13,372,789
2034-2038	4,955,000	9,153,425	14,108,425
2039-2043	7,240,000	7,554,300	14,794,300
2044-2048	10,410,000	5,167,239	15,577,239
2049-2051	11,435,000	1,523,176	12,958,176
Total	<u>\$ 37,475,000</u>	<u>\$ 44,161,744</u>	<u>\$ 81,636,744</u>

Refunding

On May 11, 2022, the District refunded and paid \$13,365,000 of the Series 2015 Bonds dated December 18, 2015, with an average interest rate of 8% by the issuance of the Series 2022 Bonds with interest rates ranging from 5.25% to 5.75%. As of December 31, 2022, the Series 2015 Bonds were fully redeemed.

**STERLING RANCH METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

\$37,475,000 Series 2022 General Obligation Limited Tax Refunding and Improvement Bonds (Continued)

Refunding (Continued)

In the government-wide statements, the District incurred a cost on bond refunding in the amount of \$351,039, which has been deferred and is being amortized over the life of the old debt. As of December 31, 2023, the cost of refunding net of amortization was \$324,307.

Developer Advances

Infrastructure Acquisition and Reimbursement Agreement

On April 29, 2022, the District entered into an Infrastructure Acquisition and Reimbursement Agreement (the Agreement) with SR Land, LLC (Developer, see Note 7) whereby the District agrees to reimburse the Developer for costs incurred on behalf of the District related to the acquisition, financing, planning design, construction, and installation of public infrastructure. The District agree to repay the Developer along with accrued interest at a rate of MMD AAA General Obligation Yield Curve, 30-Year constant maturity + 30bps per annum, but not to exceed the interest rate permitted by the Service Plan from the date of the advance resolution.

As of December 31, 2023, outstanding Developer Advances under the agreement totaled \$102,325 and accrued interest totaled \$3,033.

Authorized Debt

On November 2, 2010, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$410,000,000 at an interest rate not to exceed 18% per annum. At December 31, 2023, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

	Amount Authorized on November 2, 2010	Authorization Used for		Authorized but Unused as of December 31, 2023
		Series 2015 Bonds	Series 2022 Bonds	
Streets	\$ 30,000,000	\$ 2,865,548	\$ 7,694,571	\$ 19,439,881
Water	25,000,000	1,096,865	2,945,302	20,957,833
Storm Drainage	25,000,000	7,741,559	17,258,441	-
Transportation	25,000,000	342,610	919,977	23,737,413
Park and Recreation	25,000,000	1,318,418	3,540,217	20,141,365
Mosquito Control	5,000,000	-	-	5,000,000
Safety	5,000,000	-	-	5,000,000
Fire Protection	5,000,000	-	-	5,000,000
Television Relay	5,000,000	-	-	5,000,000
Security	5,000,000	-	-	5,000,000
Operations and Maintenance	25,000,000	-	-	25,000,000
Refunding Debt	30,000,000	-	5,116,492	24,883,508
Intergovernmental Agreements	100,000,000	-	-	100,000,000
Contractual Agreements	100,000,000	-	-	100,000,000
Total	\$ 410,000,000	\$ 13,365,000	\$ 37,475,000	\$ 359,160,000

**STERLING RANCH METROPOLITAN DISTRICT NO. 2
 NOTES TO BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2023**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Authorized Debt (Continued)

As stated in the Consolidated Service Plan, the District, Sterling Ranch Metropolitan District No. 1, and Sterling Ranch Metropolitan District No. 3 are authorized to issue Debt up to \$115,000,000 in total principal amount combined for all Districts. The maximum debt service mill levy is 50 mills subject to Gallagher Adjustment.

NOTE 6 NET POSITION

The District has net position consisting of two components – restricted and unrestricted.

The restricted component of net position consists of assets that are restricted for use either externally 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 a restricted net position as of December 31, 2023, as follows:

	Governmental Activities
Restricted Net Position:	
Debt Service Reserve	\$ 1,813,060
Total Restricted Net Position	\$ 1,813,060

The District has a deficit in unrestricted net position as a result of the District being responsible for the repayment of general obligation bonds issued to fund public infrastructure.

NOTE 7 RELATED PARTIES

The Developers of the property which constitutes the District are SR Land, LLC, Elite Properties of America, Inc., and Classic SRJ, LLC. (Developer, or collectively, Developers). The members of the Board of Directors are officers of, employees of, or associated with the Developers and may have conflicts of interest in dealing with the District.

STERLING RANCH METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 8 AGREEMENTS AND COMMITMENTS

Coordinating Services Agreement

On February 25, 2022, the District entered into a District Coordinating Services Agreement (Agreement) between the District and District 1 (Financing Districts) and District 3 (Operating District). The purpose of the Agreement is to set forth the rights and obligations of the Operating District and the Financing Districts to fund the public improvements and continued operation and maintenance of public improvements, in addition to the rights and obligations of the Operating District to operate and maintain the public improvements on behalf of the Financing Districts. The public improvements to be designed and constructed by the Operating District will benefit all property owners and residents within the Districts.

Intergovernmental Agreement

On December 17, 2021, District Nos. 1 - 3, The Retreat Metropolitan District No. 1 (Retreat No. 1) and The Retreat Metropolitan District No. 2 ("Retreat No. 2" and together with Retreat No. 1, the "Retreat Districts," and together with the Sterling Ranch Districts, the "Members") entered into an Amended and Restated Intergovernmental Agreement for the Establishment of the Falcon Area Water and Wastewater Authority (the "Amended and Restated Establishment Agreement"). The Amended and Restated Establishment Agreement superseded and replaced the Original Establishment Agreement and, among other things, authorized the provision of wastewater improvements by the Falcon Area Water and Wastewater Authority and added the Retreat Districts as Members of the Authority.

Funding and Reimbursement Agreement (Terminated June 2023)

On April 29, 2022, the District entered into a Funding and Reimbursement Agreement with District No. 1 and District No. 3 (Districts) and Classic SRJ, LLC (Developer, see Note 7) whereby the District agrees to reimburse the Developer for operations and maintenance costs incurred on behalf of the District. The Districts agree to repay the Developer along with accrued interest at market rate from the date of the advance. On June 20, 2023, the agreement was terminated.

Infrastructure Acquisition and Reimbursement Agreements

SR Land, LLC (Terminated June 2023)

On October 21, 2015, the District entered into an Infrastructure Acquisition and Reimbursement Agreement with District No. 1 and District No. 3 (Districts) and SR Land, LLC (Developer, see Note 7) whereby the District agrees to reimburse the Developer for costs incurred on behalf of the District. The Districts agree to repay the Developer along with accrued interest at a rate of prime plus 2% from the date of the advance. On June 20, 2023, the agreement was terminated.

STERLING RANCH METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 8 AGREEMENTS AND COMMITMENTS (CONTINUED)

Infrastructure Acquisition and Reimbursement Agreements (Continued)

Classic SRJ, LLC

On April 29, 2022, the District entered into an Infrastructure Acquisition and Reimbursement Agreement (the Agreement) with Classic SRJ, LLC (Developer, see Note 7) whereby the District agrees to reimburse the Developer for costs incurred on behalf of the District related to the acquisition, financing, planning design, construction, and installation of public infrastructure. The District agree to repay the Developer along with accrued interest at a rate of MMD AAA General Obligation Yield Curve, 30-Year constant maturity + 30bps per annum, but not to exceed the interest rate permitted by the Service Plan from the date of the advance resolution.

NOTE 9 RISK MANAGEMENT

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

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

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

NOTE 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.

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.

STERLING RANCH METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 10 TAX, SPENDING, AND DEBT LIMITATIONS (CONTINUED)

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 Emergency Reserve is held by District No. 3. The District transfers its net operating revenue to District No. 3 pursuant to a Coordinating Services Agreement (Note 8). Therefore, the Emergency Reserves related to the District's revenues are reported in District No. 3.

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.

On November 2, 2010, a majority of the District's electors authorized the District to collect and spend or retain in a reserve all currently levied taxes and fees of the District without regard to any limitations under TABOR.

SUPPLEMENTARY INFORMATION

**STERLING RANCH METROPOLITAN DISTRICT NO. 2
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2023**

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ 425,775	\$ 425,775	\$ 425,786	\$ 11
Specific Ownership Taxes	42,578	42,578	44,584	2,006
Interest Income	-	310,000	307,616	(2,384)
District Impact Fees	420,000	579,600	579,600	-
Total Revenues	<u>888,353</u>	<u>1,357,953</u>	<u>1,357,586</u>	<u>(367)</u>
EXPENDITURES				
County Treasurer's Fee	6,387	6,387	6,393	(6)
Paying Agent Fees	3,500	4,000	4,000	-
Bond Interest	2,113,163	2,113,163	2,113,163	-
Contingency	-	1,000	-	1,000
Total Expenditures	<u>2,123,050</u>	<u>2,124,550</u>	<u>2,123,556</u>	<u>994</u>
NET CHANGE IN FUND BALANCE	(1,234,697)	(766,597)	(765,970)	627
Fund Balance - Beginning of Year	<u>7,198,838</u>	<u>6,011,877</u>	<u>6,011,877</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 5,964,141</u>	<u>\$ 5,245,280</u>	<u>\$ 5,245,907</u>	<u>\$ 627</u>

**STERLING RANCH METROPOLITAN DISTRICT NO. 2
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2023**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Interest Income	\$ 75,000	\$ 531,798	\$ 456,798
Total Revenues	<u>75,000</u>	<u>531,798</u>	<u>456,798</u>
EXPENDITURES			
Intergovernmental expenditures - SRMD No. 3	-	255,330	(255,330)
Capital Outlay	12,246,774	10,515,993	1,730,781
Total Expenditures	<u>12,246,774</u>	<u>10,771,323</u>	<u>1,475,451</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(12,171,774)	(10,239,525)	1,932,249
OTHER FINANCING SOURCES (USES)			
Developer Advance	-	102,325	102,325
Total Other Financing Sources	<u>-</u>	<u>102,325</u>	<u>102,325</u>
NET CHANGE IN FUND BALANCE	(12,171,774)	(10,137,200)	2,034,574
Fund Balance - Beginning of Year	<u>12,171,774</u>	<u>13,923,264</u>	<u>1,751,490</u>
FUND BALANCE - END OF YEAR	<u><u>\$ -</u></u>	<u><u>\$ 3,786,064</u></u>	<u><u>\$ 3,786,064</u></u>

OTHER INFORMATION

STERLING RANCH METROPOLITAN DISTRICT NO. 2
SCHEDULE OF DEBT OF SERVICE REQUIREMENTS TO MATURITY
DECEMBER 31, 2023

STERLING RANCH METROPOLITAN DISTRICT NO. 2
 \$37,475,000 Limited Tax General Obligation Bonds
 Dated May 11, 2022
 Interest Rate 5.25% - 5.75%
 Interest Payable June 1 and December 1
 Principal Payable December 1

Year Ending December 31,	Principal	Interest	Total
2024	\$ -	\$ 2,113,163	\$ 2,113,163
2025	-	2,113,163	2,113,163
2026	-	2,113,163	2,113,163
2027	-	2,113,163	2,113,163
2028	260,000	2,113,163	2,373,163
2029	490,000	2,099,513	2,589,513
2030	595,000	2,073,788	2,668,788
2031	625,000	2,042,550	2,667,550
2032	715,000	2,009,738	2,724,738
2033	750,000	1,972,200	2,722,200
2034	845,000	1,930,950	2,775,950
2035	895,000	1,884,475	2,779,475
2036	1,000,000	1,835,250	2,835,250
2037	1,050,000	1,780,250	2,830,250
2038	1,165,000	1,722,500	2,887,500
2039	1,230,000	1,658,425	2,888,425
2040	1,355,000	1,590,775	2,945,775
2041	1,430,000	1,516,250	2,946,250
2042	1,570,000	1,437,600	3,007,600
2043	1,655,000	1,351,250	3,006,250
2044	1,810,000	1,256,088	3,066,088
2045	1,915,000	1,152,013	3,067,013
2046	2,085,000	1,041,900	3,126,900
2047	2,205,000	922,013	3,127,013
2048	2,395,000	795,225	3,190,225
2049	2,535,000	657,513	3,192,513
2050	2,745,000	511,750	3,256,750
2051	6,155,000	353,913	6,508,913
Total	\$ 37,475,000	\$ 44,161,744	\$ 81,636,744

STERLING RANCH METROPOLITAN DISTRICT NO. 2
SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED
DECEMBER 31, 2023

Year Ended December 31,	Assessed Valuation	Percent Change	Total Mills Levied			Total Property Taxes		Percent Collected to Levied
			General Operations	Debt Service	Total	Levied	Collected	
2018/2019	\$ 125,380	0.0%	11.055	44.220	55.275	\$ 6,930	\$ 6,791	97.99 %
2019/2020	1,355,970	981.5%	11.132	44.531	55.663	75,477	75,477	100.00 %
2020/2021	3,064,300	126.0%	11.132	55.663	66.795	204,680	205,231	100.27 %
2021/2022	7,481,500	144.2%	11.132	55.664	66.796	499,734	499,570	99.97 %
2022/2023	9,561,330	27.8%	11.132	44.531	55.663	532,212	532,226	100.00 %
Estimated for Year Ending December 31, 2024	\$ 13,823,900	44.6%	11.549	46.196	57.745	\$ 798,261		

Note:

Property taxes collected in any one year include collection of delinquent property taxes levied in prior years. Information received from the Treasurer does not permit identification of specific year of levy.

Source: El Paso County Assessor and Treasurer.