

**STERLING RANCH COLORADO METROPOLITAN DISTRICT NO. 2**  
**8390 East Crescent Parkway, Suite 300**  
**Greenwood Village, CO 80111**  
**Phone 303-779-5710 Fax 303-779-0348**

October 29, 2020

VIA EMAIL: [MKlotz@douglas.co.us](mailto:MKlotz@douglas.co.us)

Douglas County Clerk & Recorder  
Attn: Clerk to the Board  
301 Wilcox Street  
Castle Rock, CO 80104

Re: 2019 Annual Report

To Whom It May Concern,

Please accept the enclosed as the 2019 annual report for Sterling Ranch Colorado Metropolitan District No. 2.

Please let me know if you have any questions.

Thank you,



Denise Denslow,  
District Manager

Enclosures

Cc: Lisa Frizell, Douglas County Assessor via email ([assessors@douglas.co.us](mailto:assessors@douglas.co.us))  
Dave Gill, Douglas County Treasurer via email ([dctreasurer@douglas.co.us](mailto:dctreasurer@douglas.co.us))  
State Auditor, Local Government Audit Division via Online Portal  
Division of Local Government via E-Filing Portal  
Barb Vander Wall, Esq.; Seter & Vander Wall, P.C.  
Board of Directors

Douglas County Special Districts  
Annual Report and Disclosure Form

Name of the District	Sterling Ranch Colorado Metropolitan District No. 2; The organizational date for this District is December 10, 2013.
Report for Calendar Year	2019
(i) Annual Budget	The District's 2020 Adopted Budget is attached (see <b>Exhibit A</b> ).
(ii) Annual Construction Schedule; Reconciliation of the Capital Improvement Program for Completion of the Improvements in the Following Two (2) Years	No construction by the District took place in 2019, however the Sterling Ranch Community Authority Board ("CAB"), of which the District is a member, undertook significant construction activity in 2019, including water, sewer, street, and park and recreation improvements.
(iii) Audited Financial Statements	The District's 2019 Audit is attached (see <b>Exhibit B</b> ). The CAB has filed audited financial statements for 2019 with the State Auditor.
(iv) Total Debt Authorized; Total Debt Issued; Remaining Debt Authorized and Intended to be Issued	The District has \$23,400,000,000 in total debt authorization. The Service Plans for Sterling Ranch Colorado Metropolitan Districts 1-7 ("Districts") limit the aggregate amount of debt that the Districts can issue to \$1,800,000,000. No debt has yet been issued by the District. The CAB issued \$21,500,000 in Limited Tax Supported Revenue Senior Bonds and \$2,090,000 in Limited Tax Supported Revenue Subordinate Bonds in 2015. In 2016, the CAB issued its \$84,000,000 Taxable Subordinate Limited Revenue Promissory Note, Series 2016, and its \$21,000,000 Taxable Subordinate Limited Service Fee Revenue Promissory Note, Series 2016. In 2017, the CAB issued \$75,030,000 in Limited Tax Supported Revenue Senior Bonds and \$14,090,000 in Limited Tax Supported Revenue Subordinate Bonds. In 2019, the CAB issued \$27,616,932 in Limited Tax Supported District Nos. 1 – 7 Junior Subordinate Series 2019A Bonds.
(v) Names, Terms and Officers of the Board of Directors	<b>Matt Collins</b> , President Term Expires May 2022; <b>Janeen Ana McDonald</b> , Treasurer Term Expires May 2023; <b>Diane H. Smethills</b> , Assistant Secretary Term Expires May 2022 <b>Joel A. Halligan</b> , Assistant Secretary Term Expires May 2023 <b>Marissa Goldberg</b> , Assistant Secretary Term Expires May 2023
(vi) Bylaw, Rules and Regulations Regarding Bidding, Conflict of Interest, Contracting and Other Governance Matters	The District currently has no bylaws or rules and regulations regarding governance matters, but the CAB has adopted rules and regulations regarding water and sewer service fees and charges.

<b>(vii)</b> Current Intergovernmental Agreements and Amendments	The District entered into an intergovernmental agreement in 2017 amending its rules and regulations and was provided previously with the 2017 Annual Report.
<b>(viii)</b> Summary of All Current Contracts for Services Related to Construction	The District did not enter into any contracts for services related to construction in 2019, but the CAB contracted for significant construction activity in 2019.
<b>(ix)</b> Current Approved Service Plan and Any Amendments	The District's Service Plan (approved August 27, 2013) was not amended in 2019 and was provided previously with the 2013 Annual Report.

**EXHIBIT A**  
**2020 Adopted Budget**

LETTER OF BUDGET TRANSMITTAL

Date: January 23, 2020

To: Division of Local Government  
1313 Sherman Street, Room 521  
Denver, Colorado 80203

Attached are the 2020 budget and budget message for STERLING RANCH COLORADO METROPOLITAN DISTRICT NO. 2 in Douglas County, Colorado, submitted pursuant to Section 29-1-113, C.R.S. This budget was adopted on November 20, 2019. If there are any questions on the budget, please contact:

Denise Denslow, District Manager  
CliftonLarsonAllen LLP  
8390 E. Crescent Parkway, Suite 300  
Greenwood Village, CO 80111  
Telephone number: 303-779-5710  
[Denise.Denslow@claconnect.com](mailto:Denise.Denslow@claconnect.com)

I, Denise Denslow, District Manager of the Sterling Ranch Colorado Metropolitan District No. 2 hereby certify that the attached is a true and correct copy of the 2020 budget.

By:



Denise Denslow, District Manager

RESOLUTION NO. 2019-11-02

RESOLUTION TO ADOPT BUDGET AND APPROPRIATE SUMS OF MONEY  
RESOLUTION OF THE BOARD OF DIRECTORS OF

STERLING RANCH COLORADO METROPOLITAN DISTRICT NO. 2, DOUGLAS  
COUNTY, COLORADO, PURSUANT TO SECTION 29-1-108, C.R.S., SUMMARIZING  
EXPENDITURES AND REVENUES FOR EACH FUND, ADOPTING A BUDGET AND  
APPROPRIATING SUMS OF MONEY FOR THE BUDGET YEAR 2020

A. The Board of Directors of Sterling Ranch Colorado Metropolitan District No. 2 (the "District") has appointed CliftonLarsonAllen LLP to prepare and submit a proposed budget to said governing body at the proper time.

B. CliftonLarsonAllen LLP has submitted a proposed budget to this governing body on October 13, 2019 for its consideration.

C. Upon due and proper notice, published or posted in accordance with the law, said proposed budget was open for inspection by the public at a designated place, a public hearing was held on November 20, 2019, and interested taxpayers were given the opportunity to file or register any objections to said proposed budget.

D. The budget has been prepared to comply with all terms, limitations and exemptions, including, but not limited to, reserve transfers and expenditure exemptions, under Article X, Section 20 of the Colorado Constitution ("TABOR") and other laws or obligations which are applicable to or binding upon the District.

E. Whatever increases may have been made in the expenditures, like increases were added to the revenues so that the budget remains in balance, as required by law.

F. The Board of Directors has made provision therein for revenues in an amount equal to or greater than the total proposed expenditures as set forth in said budget.

G. It is not only required by law, but also necessary to appropriate the revenues provided in the budget to and for the purposes described below, thereby establishing a limitation on expenditures for the operations of the District.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF  
STERLING RANCH COLORADO METROPOLITAN DISTRICT NO. 2, DOUGLAS  
COUNTY, COLORADO:

1. The budget, as submitted, amended, and summarized by fund, is hereby approved and adopted as the budget of the District for the year stated above.

2. The budget is hereby approved and adopted, shall be certified by the Secretary of the District to all appropriate agencies and is made a part of the public records of the District.

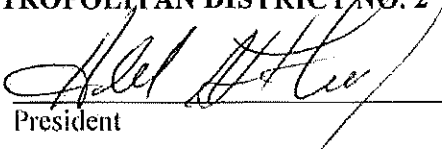
3. The sums set forth as the total expenditures of each fund in the budget attached hereto as Exhibit A and incorporated herein by reference are hereby appropriated from the revenues of each fund, within each fund, for the purposes stated.


**[SIGNATURE PAGE FOLLOWS]**

**[SIGNATURE PAGE TO RESOLUTION TO ADOPT BUDGET AND  
APPROPRIATE SUMS OF MONEY]**

RESOLUTION APPROVED AND ADOPTED on NOVEMBER 20, 2019.

**STERLING RANCH COLORADO  
METROPOLITAN DISTRICT NO. 2**

By:   
President

Attest:  
By:   
Secretary



**EXHIBIT A**

Budget



CliftonLarsonAllen LLP  
CLAconnect.com

## Accountant's Compilation Report

Board of Directors  
Sterling Ranch Colorado Metropolitan District No. 2

Management is responsible for the accompanying budget of revenues, expenditures, and fund balances of Sterling Ranch Colorado Metropolitan District No. 2 for the year ending December 31, 2020, including the estimate of comparative information for the year ended December 31, 2019, and the actual comparative information for the year ended December 31, 2018, in the format prescribed by Colorado Revised Statutes (C.R.S.) 29-1-105 and the related summary of significant assumptions in accordance with guidelines for the presentation of a budget established by the American Institute of Certified Public Accountants (AICPA). We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the budget nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on the accompanying budget.

The budgeted results may not be achieved as there will usually be differences between the budgeted and actual results, because events and circumstances frequently do not occur as expected, and these differences may be material. We assume no responsibility to update this report for events and circumstances occurring after the date of this report.

We draw attention to the summary of significant assumptions which describe that the budget is presented in accordance with the requirements of C.R.S. 29-1-105, and is not intended to be a presentation in accordance with accounting principles generally accepted in the United States of America.

We are not independent with respect to Sterling Ranch Colorado Metropolitan District No. 2.

*CliftonLarsonAllen LLP*

Greenwood Village, Colorado  
January 13, 2020



An independent member of Nexia International

**STERLING RANCH COLORADO METROPOLITAN DISTRICT NO. 2  
SUMMARY  
2020 BUDGET**

**WITH 2018 ACTUAL AND 2019 ESTIMATED  
For the Years Ended and Ending December 31,**

1/13/20

	ACTUAL 2018	ESTIMATED 2019	BUDGET 2020
BEGINNING FUND BALANCES	\$ -	\$ -	\$ -
REVENUES			
Property taxes	663,033	1,008,354	2,113,269
Specific ownership taxes	70,117	101,134	190,194
Interest income	-	512	-
Total revenues	<u>733,150</u>	<u>1,110,000</u>	<u>2,303,463</u>
Total funds available	<u>733,150</u>	<u>1,110,000</u>	<u>2,303,463</u>
EXPENDITURES			
General Fund	274,927	416,500	863,792
Debt Service Fund	458,223	693,500	1,439,671
Total expenditures	<u>733,150</u>	<u>1,110,000</u>	<u>2,303,463</u>
Total expenditures and transfers out requiring appropriation	<u>733,150</u>	<u>1,110,000</u>	<u>2,303,463</u>
ENDING FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

This financial information should be read only in connection with the accompanying accountant's compilation report and summary of significant assumptions.

**STERLING RANCH COLORADO METROPOLITAN DISTRICT NO. 2**  
**PROPERTY TAX SUMMARY INFORMATION**  
**2020 BUDGET**  
**WITH 2018 ACTUAL AND 2019 ESTIMATED**  
**For the Years Ended and Ending December 31,**

1/13/20

ACTUAL	ESTIMATED	BUDGET
2018	2019	2020

**ASSESSED VALUATION**

Residential	\$ -	\$ 3,386,170	\$ 16,350,480
Commercial	-	215,270	211,860
State assessed	-	36,000	201,200
Vacant land	7,496,350	7,763,340	6,964,250
Natural Resources	270	270	270
Certified Assessed Value	<b>\$ 7,496,620</b>	<b>\$ 11,401,050</b>	<b>\$ 23,728,060</b>

**MILL LEVY**

General	33.166	33.166	33.398
Debt Service	55.278	55.278	55.664
Total mill levy	<b>88.444</b>	<b>88.444</b>	<b>89.062</b>

**PROPERTY TAXES**

General	\$ 248,633	\$ 378,127	\$ 792,470
Debt Service	414,398	630,227	1,320,799
Adjustments to Actual/Rounding	2	-	-
Levied property taxes	663,033	1,008,354	2,113,269
Budgeted property taxes	<b>\$ 663,033</b>	<b>\$ 1,008,354</b>	<b>\$ 2,113,269</b>

**BUDGETED PROPERTY TAXES**

General	<b>\$ 248,634</b>	<b>\$ 378,127</b>	<b>\$ 792,470</b>
Debt Service	<b>414,399</b>	<b>630,227</b>	<b>1,320,799</b>
Total	<b>\$ 663,033</b>	<b>\$ 1,008,354</b>	<b>\$ 2,113,269</b>

This financial information should be read only in connection with the accompanying accountant's compilation report and summary of significant assumptions.

**STERLING RANCH COLORADO METROPOLITAN DISTRICT NO. 2**  
**GENERAL FUND**  
**2020 BUDGET**  
**WITH 2018 ACTUAL AND 2019 ESTIMATED**  
**For the Years Ended and Ending December 31,**

1/13/20

	ACTUAL 2018	ESTIMATED 2019	BUDGET 2020
BEGINNING FUND BALANCE	\$ -	\$ -	\$ -
REVENUES			
Property taxes	248,634	378,127	792,470
Specific ownership taxes	26,293	38,181	71,322
Interest income	-	192	-
Total revenues	<u>274,927</u>	<u>416,500</u>	<u>863,792</u>
Total funds available	<u>274,927</u>	<u>416,500</u>	<u>863,792</u>
EXPENDITURES			
General and administrative			
County Treasurer's fee	3,730	5,672	11,887
Transfers to CAB	271,197	410,828	851,905
Total expenditures	<u>274,927</u>	<u>416,500</u>	<u>863,792</u>
Total expenditures and transfers out requiring appropriation	<u>274,927</u>	<u>416,500</u>	<u>863,792</u>
ENDING FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

This financial information should be read only in connection with the accompanying accountant's compilation report and summary of significant assumptions.

**STERLING RANCH COLORADO METROPOLITAN DISTRICT NO. 2**  
**DEBT SERVICE FUND**  
**2020 BUDGET**  
**WITH 2018 ACTUAL AND 2019 ESTIMATED**  
**For the Years Ended and Ending December 31,**

1/13/20

	ACTUAL 2018	ESTIMATED 2019	BUDGET 2020
BEGINNING FUND BALANCE	\$ -	\$ -	\$ -
REVENUES			
Property taxes	414,399	630,227	1,320,799
Specific ownership taxes	43,824	62,953	118,872
Interest income	-	320	-
Total revenues	<u>458,223</u>	<u>693,500</u>	<u>1,439,671</u>
Total funds available	<u>458,223</u>	<u>693,500</u>	<u>1,439,671</u>
EXPENDITURES			
General and administrative			
County Treasurer's fee	6,216	9,453	19,812
Transfers to CAB	452,007	684,047	1,419,859
Total expenditures	<u>458,223</u>	<u>693,500</u>	<u>1,439,671</u>
Total expenditures and transfers out requiring appropriation	<u>458,223</u>	<u>693,500</u>	<u>1,439,671</u>
ENDING FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

This financial information should be read only in connection with the accompanying accountant's compilation report and summary of significant assumptions.

**STERLING RANCH COLORADO METROPOLITAN DISTRICT NO. 2**  
**2020 BUDGET**  
**SUMMARY OF SIGNIFICANT ASSUMPTIONS**

**Services Provided**

The District, a quasi-municipal corporation and a political subdivision of the State of Colorado, was organized by order and decree of the District Court on December 10, 2013, 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 Douglas County, Colorado.

The District was established to provide for the design, planning, acquisition, construction, financing, relocation, installation, completion, operation, maintenance, and repair or replacement of public improvements and services, including streets, park and recreation, water, sanitary and storm sewer, public transportation, mosquito control, traffic and safety controls, fire protection, and television relay and translation. Under its Service Plan, the District was organized in conjunction with six other related Districts: Sterling Ranch Colorado Metropolitan District Nos. 1 and 3 through 7. Sterling Ranch Colorado Metropolitan District No. 1 serves as a Management District and Sterling Ranch Colorado Metropolitan District Nos. 2 through 7 serve as Financing Districts (collectively, the "Districts"). The Districts entered into a Community Authority Board Establishment Agreement (the "CABEA"), on January 6, 2014, which establishes the Sterling Ranch Community Authority Board (the "CAB"). The CAB will own, operate and maintain certain public improvements within the boundaries of the Districts.

On November 5, 2013, District voters authorized a total indebtedness of \$16,200,000,000 for the above listed facilities, excluding operations and maintenance, intergovernmental agreements, and debt refunding. In the same election, the District voters approved an annual increase in property taxes of \$50,000,000 (without limitation to rate) and an annual increase in fees and charges of \$50,000,000 (without limitation to rate) to pay operations and maintenance and capital costs. The District voters also authorized the District to collect, receive, retain and spend the full amount of all taxes and all other revenues in excess of TABOR spending, revenue raising or other limitations. On November 4, 2014, the District voters authorized an additional indebtedness of \$1,800,000,000 for a total for a total indebtedness of \$18,000,000,000.

The Service Plans for District Nos. 1 – 7 limit the aggregate amount of debt that they may issue together with any debt issued by the CAB to \$1,800,000,000.

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

The District prepares its budget on the modified accrual basis of accounting in accordance with the requirements of C.R.S. 29-1-105 using its best estimates as of the date of the budget hearing. These estimates are based on expected conditions and its expected course of actions. The assumptions disclosed herein are those that the District believes are significant to the budget. There will usually be differences between the budget and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

**STERLING RANCH COLORADO METROPOLITAN DISTRICT NO. 2**  
**2020 BUDGET**  
**SUMMARY OF SIGNIFICANT ASSUMPTIONS**

**Revenues**

**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, sale of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected to the District on a monthly basis.

The District's Service Plan provides that the District's debt mill levy may be adjusted to take into account legislative or constitutionally imposed adjustments in assessed values or the method of their calculation (as of January 13, 2013), so that, to the extent possible, the actual revenues generated are neither diminished nor enhanced as a result of such changes. Among other adjustments, a change in the ratio of actual valuation of assessable property (assessment ratio) shall be deemed a change in the method of calculating assessed valuation. The District's Service Plan further provides that operations mill levy will be set to meet the District's budgetary needs on an annual basis. During 2019, the residential assessment ratio changed from 7.20% to 7.15%; consequently, starting in collection year 2020, the District adjusted its total mill levy. For collection year 2020, the District's mill levy increased to 55.664 mills for debt and 33.398 mills for operations.

The calculation of the taxes levied is displayed on the Property Tax Summary page of the budget using the mill levy adopted by the District.

**Specific Ownership Taxes**

Specific ownership taxes are set by the State and collected by the County Treasurer, primarily on vehicle licensing within the County as a whole. The specific ownership taxes are allocated by the County Treasurer to all taxing entities within the County. The budget assumes that the District's share will be equal to approximately 9% of the property taxes collected by both the General Fund and Debt Service Fund.

**Expenditures**

**Transfer to CAB**

In connection with the CABEA, the District will transfer property taxes, net of fees, derived from the operations mill levy, together with specific ownership taxes, to the CAB to pay for operations and maintenance expenditures. The District will also transfer property taxes, net of fees, derived from the debt service mill levy, together with specific ownership taxes, to the CAB to pay for the principal and interest on bonds issued by the CAB in 2015, pursuant to a certain Pledge Agreement between the District and the CAB.

**County Treasurer's Fees**

County Treasurer's fees have been computed at 1.5% of property tax collections.



**STERLING RANCH COLORADO METROPOLITAN DISTRICT NO. 2  
2020 BUDGET  
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

**Debt and Leases**

The District has no outstanding debt, nor any operating or capital leases.

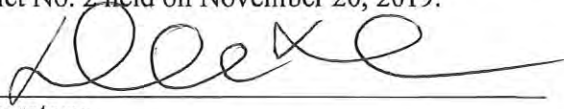
**Reserves**

**Emergency Reserve**

The District did not provide for Emergency Reserves (equal to at least 3% of the General Fund's fiscal year spending as defined under TABOR) because net tax revenues will be transferred to the CAB. The CAB will provide for the emergency reserve.

**This information is an integral part of the accompanying budget.**

I, Denise Denstow, hereby certify that I am the duly appointed Secretary of the Sterling Ranch Colorado Metropolitan District No. 2, and that the foregoing is a true and correct copy of the budget for the budget year 2020, duly adopted at a meeting of the Board of Directors of the Sterling Ranch Colorado Metropolitan District No. 2 held on November 20, 2019.

  
Secretary

RESOLUTION NO. 2019-11-03

RESOLUTION TO SET MILL LEVIES

RESOLUTION OF THE STERLING RANCH COLORADO METROPOLITAN DISTRICT NO. 2 LEVYING GENERAL PROPERTY TAXES, PURSUANT TO SECTION 39-1-111, C.R.S., FOR THE YEAR 2019, TO HELP DEFRAY THE COSTS OF GOVERNMENT FOR THE 2020 BUDGET YEAR

A. The Board of Directors of the Sterling Ranch Colorado Metropolitan District No. 2 (the "District") has adopted an annual budget in accordance with the Local Government Budget Law, on November 20, 2019.

B. The adopted budget is attached as Exhibit A to the Resolution of the Board of Directors of the District to Adopt Budget and Appropriate Sums of Money, and such budget is incorporated herein by this reference.

C. The amount of money necessary to balance the budget for general fund expenses from property tax revenue is identified in the budget.

D. The amount of money necessary to balance the budget for debt service fund expenses from property tax revenue is identified in the budget.

NOW, THEREFORE, PURSUANT TO SECTIONS 39-1-111(5) and 39-5-128(1), C.R.S., BE IT RESOLVED by the Board of Directors of the Sterling Ranch Colorado Metropolitan District No. 2, Douglas County, Colorado, that:

1. For the purpose of meeting all general operating expenses of the District during the 2020 budget year, the District determined to levy mills upon each dollar of the total valuation for assessment of all taxable property within the District, as set forth in the budget, to raise the required revenue.

2. That for the purpose of meeting all debt retirement expenses of the District during the 2020 budget year, the District determined to levy mills upon each dollar of the total valuation for assessment of all taxable property within the District, as set forth in the budget, to raise the required revenue.

3. That for the purpose of meeting all contractual obligation expenses of the District during the 2020 budget year, the District determined to levy mills upon each dollar of the total valuation for assessment of all taxable property within the District, as set forth in the budget, to raise the required revenue.

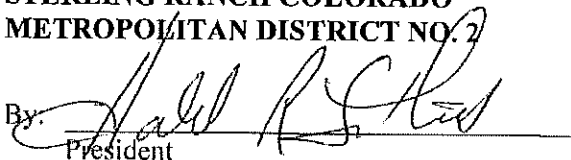
4. That the Secretary is hereby authorized and directed to immediately certify to the Board of County Commissioners of Douglas County, Colorado, the mill levies for the District as set forth in the District's Certification of Mill Levies, attached hereto as Exhibit 1 and incorporated herein by reference, recalculated as needed upon receipt of the final certification of valuation from the County Assessor in order to comply with any applicable revenue and other budgetary limits.

[SIGNATURE PAGE FOLLOWS]

**[SIGNATURE PAGE OF RESOLUTION TO SET MILL LEVIES]**

RESOLUTION APPROVED AND ADOPTED on NOVEMBER 20, 2019.

**STERLING RANCH COLORADO  
METROPOLITAN DISTRICT NO. 2**

By:   
President

Attest:

By:   
Secretary

**EXHIBIT 1**

Certification of Tax Levies

**CERTIFICATION OF TAX LEVIES for NON-SCHOOL Governments**

TO: County Commissioners<sup>1</sup> of Douglas County, Colorado.

On behalf of the Sterling Ranch Colorado Metro District 2,

(taxing entity)<sup>A</sup>

the Board of Directors

(governing body)<sup>B</sup>

of the Sterling Ranch Colorado Metro District 2

(local government)<sup>C</sup>

Hereby officially certifies the following mills to be levied against the taxing entity's GROSS \$ 23,728,060 assessed valuation of: (GROSS<sup>D</sup> assessed valuation, Line 2 of the Certification of Valuation Form DLG 57<sup>E</sup>)

Note: If the assessor certified a NET assessed valuation (AV) different than the GROSS AV due to a Tax Increment Financing (TIF) Area<sup>F</sup> the tax levies must be calculated using the NET AV. The taxing entity's total property tax revenue will be derived from the mill levy multiplied against the NET assessed valuation of: \$ 23,728,060 (NET<sup>G</sup> assessed valuation, Line 4 of the Certification of Valuation Form DLG 57)  
**USE VALUE FROM FINAL CERTIFICATION OF VALUATION PROVIDED BY ASSESSOR NO LATER THAN DECEMBER 10**

Submitted: 12/02/2019 for budget/fiscal year 2020  
 (no later than Dec. 15) (mm/dd/yyyy) (yyyy)

PURPOSE (see end notes for definitions and examples)	LEVY <sup>2</sup>	REVENUE <sup>2</sup>
1. General Operating Expenses <sup>H</sup>	<u>33.398</u> mills	<u>\$ 792,470</u>
2. <Minns> Temporary General Property Tax Credit/ Temporary Mill Levy Rate Reduction <sup>I</sup>	< > mills	\$ < >
<b>SUBTOTAL FOR GENERAL OPERATING:</b>	<b>33.398 mills</b>	<b>\$ 792,470</b>
3. General Obligation Bonds and Interest <sup>J</sup>	<u>55.664</u> mills	<u>\$ 1,320,799</u>
4. Contractual Obligations <sup>K</sup>	_____ mills	\$ _____
5. Capital Expenditures <sup>L</sup>	_____ mills	\$ _____
6. Refunds/Abatements <sup>M</sup>	_____ mills	\$ _____
7. Other <sup>N</sup> (specify): _____	_____ mills	\$ _____
	_____ mills	\$ _____
<b>TOTAL:</b> [ Sum of General Operating Subtotal and Lines 3 to 7 ]	<b>89.062 mills</b>	<b>\$ 2,113,269</b>

Contact person: (print) Gigi Pangindian Daytime phone: 303-779-5710  
 Signed: Gigi Pangindian Title: Accountant for the District

Include one copy of this tax entity's completed form when filing the local government's budget by January 31st, per 29-1-113 C.R.S., with the Division of Local Government (DLG), Room 521, 1313 Sherman Street, Denver, CO 80203. Questions? Call DLG at (303) 864-7720.

<sup>1</sup> If the taxing entity's boundaries include more than one county, you must certify the levies to each county. Use a separate form for each county and certify the same levies uniformly to each county per Article X, Section 3 of the Colorado Constitution.  
<sup>2</sup> Levies must be rounded to three decimal places and revenue must be calculated from the total NET assessed valuation (Line 4 of Form DLG57 on the County Assessor's FINAL certification of valuation).

**CERTIFICATION OF TAX LEVIES, continued**

**THIS SECTION APPLIES TO TITLE 32, ARTICLE 1 SPECIAL DISTRICTS THAT LEVY TAXES FOR PAYMENT OF GENERAL OBLIGATION DEBT (32-1-1603 C.R.S.)**. Taxing entities that are Special Districts or Subdistricts of Special Districts must certify separate mill levies and revenues to the Board of County Commissioners, one each for the funding requirements of each debt (32-1-1603, C.R.S.) Use additional pages as necessary. The Special District's or Subdistrict's total levies for general obligation bonds and total levies for contractual obligations should be recorded on Page 1, Lines 3 and 4 respectively.

**CERTIFY A SEPARATE MILL LEVY FOR EACH BOND OR CONTRACT:**

**BONDS<sup>J</sup>:**

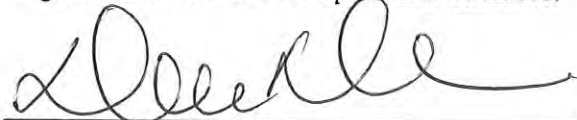
- |    |                   |                                                                                                                  |
|----|-------------------|------------------------------------------------------------------------------------------------------------------|
| 1. | Purpose of Issue: | Pledge Agreement with Sterling Ranch Community Authority Board ("CAB") (Issuer) to finance public infrastructure |
|    | Series:           | Limited Tax Supported Revenue Senior Bonds, Series 2015A<br>(CAB is Issuer)                                      |
|    | Date of Issue:    | December 30, 2015                                                                                                |
|    | Coupon Rate:      | 5.50% through December 1, 2035 and 5.75% through December 1, 2045                                                |
|    | Maturity Date:    | December 1, 2035 and December 31, 2045                                                                           |
|    | Levy:             | 55.664 mills                                                                                                     |
|    | Revenue:          | \$1,320,799                                                                                                      |
|    |                   |                                                                                                                  |
| 2. | Purpose of Issue: | Pledge Agreement with Sterling Ranch Community Authority Board ("CAB") (Issuer) to finance public infrastructure |
|    | Series:           | Limited Tax Supported Revenue Subordinate Bonds, Series 2015B<br>(CAB is Issuer)                                 |
|    | Date of Issue:    | December 30, 2015                                                                                                |
|    | Coupon Rate:      | 7.75%                                                                                                            |
|    | Maturity Date:    | December 15, 2045                                                                                                |
|    | Levy:             | 0.000 mill                                                                                                       |
|    | Revenue:          | \$0                                                                                                              |

**CONTRACTS<sup>K</sup>:**

- |    |                      |       |
|----|----------------------|-------|
| 3. | Purpose of Contract: | _____ |
|    | Title:               | _____ |
|    | Date:                | _____ |
|    | Principal Amount:    | _____ |
|    | Maturity Date:       | _____ |
|    | Levy:                | _____ |
|    | Revenue:             | _____ |
|    |                      |       |
| 4. | Purpose of Contract: | _____ |
|    | Title:               | _____ |
|    | Date:                | _____ |
|    | Principal Amount:    | _____ |
|    | Maturity Date:       | _____ |
|    | Levy:                | _____ |
|    | Revenue:             | _____ |

Use multiple copies of this page as necessary to separately report all bond and contractual obligations per 32-1-1603, C.R.S.

I, Denise Demslow, hereby certify that I am the duly appointed Secretary of the Sterling Ranch Colorado Metropolitan District No. 2, and that the foregoing is a true and correct copy of the Certification of Mill Levies for the budget year 2020, duly adopted at a meeting of the Board of Directors of the Sterling Ranch Colorado Metropolitan District No. 2 held on November 20, 2019.

  
Secretary



Colorado Community Media  
750 W. Hampden Ave, Suite 225  
Englewood, CO 80110

Public Notice

NOTICE AS TO PROPOSED 2020 BUDGETS  
AND AMENDMENT OF 2019 BUDGETS

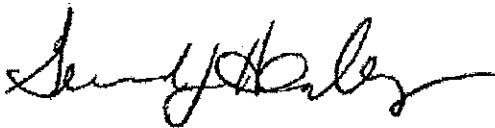
STERLING RANCH COLORADO  
METROPOLITAN DISTRICT NOS. 1 - 7  
DOUGLAS COUNTY, COLORADO

# AFFIDAVIT OF PUBLICATION

NOTICE IS HEREBY GIVEN, pursuant to Sections 29-1-108 and 109, C.R.S., that proposed budgets have been submitted to the Board of Directors of the Sterling Ranch Colorado Metropolitan District Nos. 1 - 7 (the "Districts") for the ensuing year of 2020. The necessity may also arise for amendments of the 2019 budgets of the Districts. Copies of the proposed 2020 budgets and 2019 amended budgets (if appropriate) are on file in the office of the Districts' Accountant, CliftonLarsonAllen LLP, 8390 E. Crescent Pkwy., Suite 300, Greenwood Village, CO 80111, where same are available for public inspection. Such proposed 2020 budgets and 2019 amended budgets will be considered at a special meeting of the Districts to be held on a First Reading at 12:00 p.m. on October 16, 2019 at the Sterling Ranch Resident Resource Center, 8220 Piney River Avenue, Littleton, CO 80125, and for a Second and Final Reading and public hearing to be held at 12:00 p.m. at a regular meeting on November 20, 2019 at the Sterling Ranch Resident Resource Center, 8220 Piney River Avenue, Littleton, CO 80125. Any interested elector within the Districts may, at any time prior to the final adoption of the 2020 budgets or the 2019 amended budgets, inspect the 2020 budgets and the 2019 amended budgets and file or register any objections thereto. The address of the office of the Districts where the names and addresses of the Districts' Board Members and their officers and the address, telephone number, fax number and email address of the Districts may be obtained is: c/o CliftonLarsonAllen LLP, 8390 E. Crescent Pkwy., Suite 300, Greenwood Village, Colorado 80111.

State of Colorado )ss  
County of Douglas

This Affidavit of Publication for the Douglas County News Press, a weekly newspaper, printed and published for the County of Douglas, State of Colorado, hereby certifies that the attached legal notice was published in said newspaper once in each week, for 1 successive week(s), the last of which publication was made the 3rd day of October A.D., 2019, and that copies of each number of said paper in which said Public Notice was published were delivered by carriers or transmitted by mail to each of the subscribers of said paper, according to their accustomed mode of business in this office.



\_\_\_\_\_  
for the Douglas County News Press  
State of Colorado )  
County of Arapahoe )ss

The above Affidavit and Certificate of Publication was subscribed and sworn to before me by the above named Gerard Healey, publisher of said newspaper, who is personally known to me to be the identical person in the above certificate on 3rd day of October A.D., 2019. Gerard Healey has verified to me that he has adopted an electronic signature to function as his signature on this document.

STERLING RANCH COLORADO  
METROPOLITAN DISTRICT NOS. 1 - 7

/s/ Denise Denslow, District Manager

Legal Notice No.: 935869  
First Publication: October 3, 2019  
Last Publication: October 3, 2019  
Publisher: Douglas County News-Press

20134073610-526812

LINDSAY L NICOLETTI  
Notary Public  
State of Colorado  
Notary ID # 20134073610  
My Commission Expires 02-22-2022

My Commission Expires 02/22/22

Notary Public

**EXHIBIT B**  
**2019 Audit**

**STERLING RANCH COLORADO  
METROPOLITAN DISTRICT NO. 2  
Douglas County, Colorado**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
YEAR ENDED DECEMBER 31, 2019**

**STERLING RANCH COLORADO METROPOLITAN DISTRICT NO. 2  
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YEAR ENDED DECEMBER 31, 2019**

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## Independent Auditor's Report

To the Board of Directors  
Sterling Ranch Colorado Metropolitan District No. 2

We have audited the accompanying financial statements of the governmental activities and the major funds of Sterling Ranch Colorado Metropolitan District No. 2 as of and for the year ended December 31, 2019 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 the major funds of Sterling Ranch Colorado Metropolitan District No. 2, as of December 31, 2019 and 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.

## Other-Matters

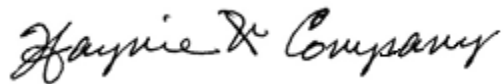
### *Required Supplementary Information*

Management has omitted the 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, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Sterling Ranch Colorado Metropolitan District No. 2's financial statements as a whole. The supplementary information section is presented for purposes of additional analysis and is not a required part of the financial statements.

The supplementary information as listed in the table of contents 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Littleton, Colorado  
June 29, 2020

## **BASIC FINANCIAL STATEMENTS**

**STERLING RANCH COLORADO METROPOLITAN DISTRICT NO. 2**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2019**

	Governmental Activities
<b>ASSETS</b>	
Receivable from County Treasurer	\$ 9,168
Property Taxes Receivable	2,113,269
Total Assets	2,122,437
<b>LIABILITIES</b>	
Due to Sterling Ranch CAB	9,168
Total Liabilities	9,168
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred Property Taxes	2,113,269
Total Deferred Inflows of Resources	2,113,269
<b>NET POSITION</b>	
Total Net Position	\$ -

See accompanying Notes to Basic Financial Statements.



**STERLING RANCH COLORADO METROPOLITAN DISTRICT NO. 2**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2019**

FUNCTIONS/PROGRAMS	Program Revenues			Net Revenues (Expenses) and Change in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary Government:					
Governmental Activities:					
General Government	\$ 415,941	\$ -	\$ -	\$ -	\$ (415,941)
Debt Service	693,253	-	-	-	(693,253)
	<u>\$ 1,109,194</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(1,109,194)</u>
<b>GENERAL REVENUES</b>					
Property Taxes					1,007,658
Specific Ownership Taxes					101,139
Interest Income					397
Total General Revenues					<u>1,109,194</u>
<b>CHANGE IN NET POSITION</b>					-
Net Position - Beginning of Year					-
<b>NET POSITION - END OF YEAR</b>					\$ -

See accompanying Notes to Basic Financial Statements.

**STERLING RANCH COLORADO METROPOLITAN DISTRICT NO. 2  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2019**

	General	Debt Service	Total Governmental Funds
<b>ASSETS</b>			
Receivable from County Treasurer	\$ 3,438	\$ 5,730	\$ 9,168
Property Taxes Receivable	792,470	1,320,799	2,113,269
Total Assets	\$ 795,908	\$ 1,326,529	\$ 2,122,437
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Due to Sterling Ranch CAB	\$ 3,438	\$ 5,730	\$ 9,168
Total Liabilities	3,438	5,730	9,168
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Property Taxes	792,470	1,320,799	2,113,269
Total Deferred Inflows of Resources	792,470	1,320,799	2,113,269
<b>FUND BALANCES</b>			
Total Fund Balances	-	-	-
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 795,908	\$ 1,326,529	\$ 2,122,437

Amounts reported for governmental activities in the statement of net position  
are the same as above.

**STERLING RANCH COLORADO METROPOLITAN DISTRICT NO. 2**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2019**

	General	Debt Service	Total Governmental Funds
<b>REVENUES</b>			
Property Taxes	\$ 377,866	\$ 629,792	\$ 1,007,658
Specific Ownership Taxes	37,926	63,213	101,139
Interest Income	149	248	397
Total Revenues	<u>415,941</u>	<u>693,253</u>	<u>1,109,194</u>
<b>EXPENDITURES</b>			
County Treasurer's Fee	5,671	9,451	15,122
Transfers to CAB	410,270	683,802	1,094,072
Total Expenditures	<u>415,941</u>	<u>693,253</u>	<u>1,109,194</u>
<b>NET CHANGE IN FUND BALANCES</b>	-	-	-
Fund Balances - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES - END OF YEAR</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Amounts reported for governmental activities in the statement of activities  
are the same as above.

**STERLING RANCH COLORADO METROPOLITAN DISTRICT NO. 2  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2019**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property Taxes	\$ 378,127	\$ 378,127	\$ 377,866	\$ (261)
Specific Ownership Taxes	37,813	38,181	37,926	(255)
Interest Income	-	192	149	(43)
Total Revenues	<u>415,940</u>	<u>416,500</u>	<u>415,941</u>	<u>(559)</u>
<b>EXPENDITURES</b>				
County Treasurer's Fee	5,672	5,672	5,671	1
Transfers to CAB	410,268	410,828	410,270	558
Total Expenditures	<u>415,940</u>	<u>416,500</u>	<u>415,941</u>	<u>559</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	-	-	-
Fund Balance - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<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 COLORADO METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 1 DEFINITION OF REPORTING ENTITY**

Sterling Ranch Colorado Metropolitan District No. 2 (the District), a quasi-municipal corporation and a political subdivision of the state of Colorado, was organized by order and decree of the Douglas County (County) District Court issued on November 25, 2013 and recorded in the County records on December 10, 2013, 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 Douglas County, Colorado.

The District was established to provide for the design, planning, acquisition, construction, financing, relocation, installation, completion, operation, maintenance, and repair or replacement of public improvements and services, including streets, park and recreation, water, sanitary and storm sewer, public transportation, mosquito control, traffic and safety controls, fire protection, and television relay and translation. Under its Service Plan, the District was organized in conjunction with six other related Districts: Sterling Ranch Colorado Metropolitan District Nos. 1 and 3 through 7. Sterling Ranch Colorado Metropolitan District No. 1 serves as a Management District and Sterling Ranch Colorado Metropolitan District Nos. 2 through 7 serve as Financing Districts (collectively, the Districts). The Districts entered into a Community Authority Board Establishment Agreement (the CABEA), on January 6, 2014 (as amended and restated on June 29, 2015), which establishes the Sterling Ranch Community Authority Board (the CAB). The CAB will own, operate, and maintain certain public improvements within the boundaries of the Districts.

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

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

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

**STERLING RANCH COLORADO METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**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 and intergovernmental revenues.

The statement of net position reports all financial and capital resources of the District. The difference between the sum of assets and deferred outflows and the sum of liabilities and deferred inflows 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 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 collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes and specific ownership 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.

**STERLING RANCH COLORADO METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

The District reports the following major governmental funds:

The General Fund is the District's 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, interest and other related costs on long-term debt of the governmental funds.

**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 has amended its annual budget for the year ended December 31, 2019.

**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, in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August, and generally, sale 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 revenue in the year they are available or collected.

**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.

**STERLING RANCH COLORADO METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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

**Equity (Continued)**

**Fund Balance**

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

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

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

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

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

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

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

**NOTE 3 CASH AND INVESTMENTS**

**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 COLORADO METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**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, 2019, the District had no cash deposits.

**Investments**

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

The District will generally limit its concentration of investments to those 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, 2019, the District had no investments.

**NOTE 4 AUTHORIZED DEBT**

On November 5, 2013, the electors for the District authorized the issuance of indebtedness in an amount not to exceed \$19,800,000,000 for public improvements and refunding. On November 4, 2014, the electors of the District authorized an additional \$1,800,000,000 for security services and improvements.

**STERLING RANCH COLORADO METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 4 AUTHORIZED DEBT (CONTINUED)**

In December 2015, the CAB issued bonds to finance construction of public improvements within the boundaries of the District. Consequently, at December 31, 2019, with the issuance of the CAB's 2015 bonds, the District's authorized but unissued debt is \$21,576,410,000.

The Service Plans for the Districts limit the aggregate amount of debt that they may issue together, including debt issued by the CAB, to \$1,800,000,000.

**NOTE 5 AGREEMENTS**

**Pledge Agreement**

The District entered into a Pledge Agreement with the CAB, dated December 1, 2015, under which the District agrees to impose ad valorem property taxes upon all taxable property of the District, and to transfer the revenues generated from such mill levy imposition, along with revenues generated from the imposition of specific ownership taxes, to the CAB for payment of the CAB's Limited Tax Supported Revenue Bonds, Series 2015A and Limited Tax Supported Revenue Subordinate Bonds, Series 2015B.

**NOTE 6 RELATED PARTIES**

Sterling Ranch LLC (SR LLC) and Sterling Ranch Development Company (Developer) are the owners of or hold options to acquire a significant portion of the properties comprising the service areas of the Districts. SR LLC, the Developer, and Hobbs Investments LLC (Hobbs), a single member LLC for which the Developer is the manager and sole member (collectively with SR LLC and the Developer, the SR Entities) have each advanced funds to the CAB. The members of the Board of Directors of the CAB and the Districts hold direct or indirect ownership interests in the SR Entities or are otherwise associated with the SR Entities and may have conflicts of interest in dealing with the CAB and the Districts.

**NOTE 7 RISK MANAGEMENT**

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

The District is a member of the Colorado Special Districts Property and Liability Pool (the Pool). 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.

**STERLING RANCH COLORADO METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 7 RISK MANAGEMENT (CONTINUED)**

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 8 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.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. The District transfers its net operating revenue to the CAB. Therefore, the Emergency Reserves related to the District's revenues are reported in the CAB.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits, will require judicial interpretation.

## **SUPPLEMENTARY INFORMATION**

**STERLING RANCH COLORADO METROPOLITAN DISTRICT NO. 2  
DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2019**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property Taxes	\$ 630,227	\$ 630,227	\$ 629,792	\$ (435)
Specific Ownership Taxes	63,028	62,953	63,213	260
Interest Income	-	320	248	(72)
Total Revenues	<u>693,255</u>	<u>693,500</u>	<u>693,253</u>	<u>(247)</u>
<b>EXPENDITURES</b>				
County Treasurer's Fee	9,453	9,453	9,451	2
Transfers to CAB	683,802	684,047	683,802	245
Total Expenditures	<u>693,255</u>	<u>693,500</u>	<u>693,253</u>	<u>247</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	-	-	-
Fund Balance - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

## **OTHER INFORMATION**

**STERLING RANCH COLORADO METROPOLITAN DISTRICT NO. 2  
SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED  
DECEMBER 31, 2019**

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Tax Levy	Mills Levied		Total Property Taxes		Percent Collected to Levied
		General	Debt Service	Levied	Collected	
2015	\$ -	75.000	-	\$ -	\$ -	N/A
2016	4,900	30.000	45.000	368	368	100.00 %
2017	1,750	30.000	45.000	131	131	100.00
2018	7,496,620	33.166	55.278	663,031	663,033	100.00
2019	11,401,050	33.166	55.278	1,008,354	1,007,658	99.93
Estimated for the Year Ending December 31, 2020	\$ 23,728,060	33.398	55.664	\$ 2,113,269		