

STC METROPOLITAN DISTRICT NO. 2

Financial Statements

December 31, 2016



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STC METROPOLITAN DISTRICT NO. 2

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Dazzio & Associates, PC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
STC Metropolitan District No. 2
Boulder County, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of the STC Metropolitan District No. 2 as of and for the year ended December 31, 2016, 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 each major fund of the STC Metropolitan District No. 2, as of December 31, 2016, 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 opinions on the financial statements that collectively comprise the STC Metropolitan District No. 2's basic financial statements. The budget to actual schedules for the Debt Service and Capital Projects Funds (Supplementary Information), the Schedule of Debt Service Requirements to Maturity and the Schedule of Future Debt Service Requirements (Other Information) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplementary 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.

The Other Information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Daggio & Associates, P.C.

June 14, 2017

BASIC FINANCIAL STATEMENTS

STC METROPOLITAN DISTRICT NO. 2

STATEMENT OF NET POSITION

December 31, 2016

	Governmental Activities
Assets	
Cash and Investments	\$ 29,658
Cash and Investments - Restricted	7,337,933
Accounts Receivable	33,100
Prepaid Expenses	15,427
Property Taxes Receivable	1,177,096
Capital Assets, Net	<u>16,399,639</u>
Total Assets	<u>24,992,853</u>
Liabilities	
Accounts Payable	1,447,640
Retainage Payable	340,187
Accrued Interest Payable	1,013,553
Noncurrent Liabilities:	
Due In More Than One Year	<u>23,924,741</u>
Total Liabilities	<u>26,726,121</u>
Deferred Inflows of Resources	
Unavailable Revenue - Property Taxes	<u>1,015,408</u>
Net Position	
Net Investment In Capital Assets	8,325
Restricted for	
TABOR Reserve	5,326
Debt Service	308,753
Unrestricted	<u>(3,071,080)</u>
Total Net Position	<u><u>\$ (2,748,676)</u></u>

The notes to the financial statements are an integral part of this statement.

STC METROPOLITAN DISTRICT NO. 2

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2016

<u>Function/Program Activities</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Permits, Fees, Fines, and Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Revenue and Changes in Net Position</u>
					<u>Governmental Activities</u>
Governmental Activities					
General Government	\$ 138,097	\$ -	\$ 5,373	\$ -	\$ (132,724)
Interest and related costs on long-term debt	1,600,521	-	-	149,912	(1,450,609)
Total Governmental Activities	\$ 1,738,618	\$ -	\$ 5,373	\$ 149,912	(1,583,333)
General Revenues:					
					84
					499,932
					27,715
					<u>527,731</u>
					(1,055,602)
					(1,693,074)
					<u>\$ (2,748,676)</u>

The notes to the financial statements are an integral part of this statement.

STC METROPOLITAN DISTRICT NO. 2

**BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2016**

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
Assets				
Cash and Investments	\$ 29,658	\$ -	\$ -	\$ 29,658
Cash and Investments - Restricted	-	2,761,683	4,576,250	7,337,933
Accounts Receivable	25,500	-	7,600	33,100
Prepaid Expense	15,427	-	-	15,427
Property Taxes Receivable	66	1,177,030	-	1,177,096
Total Assets	<u>\$ 70,651</u>	<u>\$ 3,938,713</u>	<u>\$ 4,583,850</u>	<u>\$ 8,593,214</u>
Liabilities				
Accounts payable	\$ 13,641	\$ -	\$ -	\$ 13,641
Accounts payable from Restricted Assets	-	-	1,433,999	1,433,999
Retainage Payable	-	-	340,187	340,187
Total Liabilities	<u>13,641</u>	<u>-</u>	<u>1,774,186</u>	<u>1,787,827</u>
Deferred Inflows of Resources				
Unavailable Revenue - Property Taxes	66	1,015,342	-	1,015,408
Fund Balances				
Nonspendable				
Prepaid Expenses	15,427	-	-	15,427
Restricted for				
TABOR Reserve	5,326	-	-	5,326
Debt Service	-	2,923,371	-	2,923,371
Capital Projects	-	-	2,809,664	2,809,664
Unassigned	36,191	-	-	36,191
Total Fund Balances	<u>56,944</u>	<u>2,923,371</u>	<u>2,809,664</u>	<u>5,789,979</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 70,651</u>	<u>\$ 3,938,713</u>	<u>\$ 4,583,850</u>	<u>\$ 8,593,214</u>

The notes to the financial statements are an integral part of this statement.

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**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION**

December 31, 2016

Total Fund Balances - Governmental Funds		\$ 5,789,979
Total net position reported for governmental activities in the statement of of net position is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:		
Construction in Progress		16,399,639
Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position.		
Balances at December 31, 2016 are:		
Bonds Payable	\$(24,055,000)	
Bond Discount	474,864	
Accrued Interest on Bonds	(1,013,553)	
Developer Advance Payable	(317,706)	
Accrued interest payable on Developer advance	(26,899)	(24,938,294)
		<u> </u>
Net Position - Governmental Activities		<u>\$ (2,748,676)</u>

The notes to the financial statements are an integral part of this statement.

STC METROPOLITAN DISTRICT NO. 2

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

For the Year Ended December 31, 2016

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
Revenues				
Property Taxes	\$ 15	\$ 69	\$ -	\$ 84
SURA Property Tax Increment	4,179	495,753	-	499,932
Public Improvement Fees	-	106,141	-	106,141
Transfer from District No. 1	5,253	43,771	-	49,024
Transfer from District No. 3	120	-	-	120
Net investment income	-	7,512	20,203	27,715
Total Revenues	<u>9,567</u>	<u>653,246</u>	<u>20,203</u>	<u>683,016</u>
Expenditures				
Current				
Accounting	33,637	-	5,240	38,877
Audit	11,527	-	-	11,527
Directors Fees	3,000	-	-	3,000
Insurance	12,623	-	-	12,623
Election	1,073	-	-	1,073
Legal	32,906	-	78,244	111,150
Management	31,965	-	9,219	41,184
Miscellaneous	5,010	-	688	5,698
Payroll Taxes	337	-	-	337
Utilities	6,019	-	-	6,019
Treasurer's Fees	-	5,420	-	5,420
Capital Outlay				
Construction Expenses	-	-	7,052,357	7,052,357
Design Costs	-	-	7,600	7,600
Debt Service				
Bond Interest Expense	-	1,023,300	-	1,023,300
Paying Agent Fees	-	4,000	-	4,000
Total Expenditures	<u>138,097</u>	<u>1,032,720</u>	<u>7,153,348</u>	<u>8,324,165</u>
Excess Revenues Over (Under)				
Expenditures	(128,530)	(379,474)	(7,133,145)	(7,641,149)
Other Financing Sources (Uses)				
Developer Advances	167,962	-	7,600	175,562
Net Change in Fund Balances	39,432	(379,474)	(7,125,545)	(7,465,587)
Fund Balances - Beginning	17,512	3,302,845	9,935,209	13,255,566
Fund Balances - Ending	<u>\$ 56,944</u>	<u>\$ 2,923,371</u>	<u>\$ 2,809,664</u>	<u>\$ 5,789,979</u>

The notes to the financial statements are an integral part of this statement.

STC METROPOLITAN DISTRICT NO. 2

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

For the Year Ended December 31, 2016

Net Change in Fund Balances - Total Governmental Funds		\$ (7,465,587)
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.		
Capital outlay		7,153,348
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The net effect of these differences in the treatment of long-term debt is as follows:		
Developer advances		(175,562)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds		
Accrued interest on Developer advances	\$ (17,500)	
Accrued interest on bonds - Change in liability	(519,896)	
Amortization of bond discount	(30,405)	(567,801)
		<u>(567,801)</u>
Change in Net Position - Governmental Activities		<u><u>\$ (1,055,602)</u></u>

The notes to the financial statements are an integral part of this statement.

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**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

GENERAL FUND

For the Year Ended December 31, 2016

(With Comparative Totals for the Year Ended December 31, 2015)

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)	2015 Actual
Revenues					
Property Taxes	\$ 13	15	\$ 15	\$ -	\$ -
SURA Property Tax Increment	-	4,189	4,179	(10)	2,185
Transfer from District No. 1	994	6,111	5,253	(858)	3,000
Transfer from District No. 3	-	120	120	-	-
Total Revenues	1,007	10,435	9,567	(868)	5,185
Expenditures					
Administrative					
Accounting	22,000	33,800	33,637	163	23,594
Audit	10,500	11,527	11,527	-	572
Directors Fees	5,400	3,600	3,000	600	5,400
Insurance	11,692	12,623	12,623	-	7,999
Election	-	1,073	1,073	-	39
Legal	30,000	35,600	32,906	2,694	13,852
Management	26,390	29,700	31,965	(2,265)	24,517
Miscellaneous	4,000	4,000	5,010	(1,010)	2,811
Payroll Taxes	413	275	337	(62)	432
Utilities	-	4,388	6,019	(1,631)	-
Emergency Reserve	3,414	3,414	-	3,414	-
Total Expenditures	113,809	140,000	138,097	1,903	79,216
Excess Revenues Over (Under)					
Expenditures	(112,802)	(129,565)	(128,530)	1,035	(74,031)
Other Financing Sources (Uses)					
Developer Advances	112,802	112,053	167,962	55,909	91,543
Net Change in Fund Balance	-	(17,512)	39,432	56,944	17,512
Fund Balance - Beginning	-	17,512	17,512	-	-
Fund Balance - Ending	\$ -	\$ -	\$ 56,944	\$ 56,944	\$ 17,512

The notes to the financial statements are an integral part of this statement.

STC METROPOLITAN DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016

Note 1 – Definition of Reporting Entity

The STC Metropolitan District No. 2 (the District), a quasi-municipal corporation and political subdivision of the State of Colorado was organized by recorded order and decree of the District Court for Boulder County on December 5, 2013, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District is one of three related districts: STC Metropolitan District Nos. 1, 2 and 3 (the Districts).

The District operates under a Service Plan approved by the Town of Superior (the Town) on May 13, 2013, and amended on April 6, 2014. Pursuant to the Service Plan, Districts Nos. 2 and 3 are referred to as the Financing Districts and District No. 1 is the Management District. The Management District is responsible for managing, implementing and coordinating the financing, construction, and the operation and maintenance of all public infrastructure and services within and without the project known as Superior Town Center. The Financing Districts provide the funding for the improvements and the tax base needed to support ongoing operations of the Districts. On January 1, 2015, the Districts entered into a Facilities Funding, Construction and Operation Agreement whereby District No. 2 took over the responsibilities of the Management, or Operating District, and District No. 1 became a financing District (see Note 6).

The District's service area boundaries are located entirely within the Town and the Superior Urban Renewal Area.

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

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 to any other organization, nor is the District a component unit of any other primary governmental entity.

STC METROPOLITAN DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016

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. 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 assets and liabilities 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 revenue. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenue* 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 revenue are reported instead as *general revenue*.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported in 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. Property taxes are recognized as revenues in the year for which they are levied. Other items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Depreciation is computed and recorded as an operating expense. Expenditures for capital assets are shown as increases in assets and redemption of bonds and notes are recorded as a reduction in liabilities.

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 District considers revenues to be available if they are collected within 60 days after year-end. The major sources of revenue susceptible to accrual are property taxes. All other

STC METROPOLITAN DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016

revenue items are considered to be measurable and available only when cash is received by the District. Expenditures are recorded when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

The District reports the following major governmental funds:

General Fund – This fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund – This fund is used to account for the resources accumulated and payments made for principal and interest on long-term general obligation debt.

Capital Projects Fund – This fund is used to account for financial resources earmarked or segregated for the acquisition and construction of major capital facilities and other project-oriented activities.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

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 level and lapses at year end. The District 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 budget for the year ended December 31, 2016.

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 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. Investments are carried at fair value.

Cash and investments are presented on the balance sheet in the basic financial statements at fair value.

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NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016

Capital Assets

Capital assets, which include property and equipment, are reported in the government-wide financial statements. Capital assets defined by the District as assets include improvements to buildings and equipment with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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.

Deferred Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources until then.

In addition to liabilities, the statement of net position and the governmental funds balance sheet will sometimes report 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(s) 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, one item, unavailable revenue – property tax, is reported in both the government-wide statement of net position and the governmental funds balance sheet. This amount is deferred and recognized as inflow of resources in the period that the amounts become available.

STC METROPOLITAN DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016

Long-term Obligations and Original Issue Discount

In the government-wide financial statements, debt premiums and discounts are deferred and amortized over the life of the issue using the percentage of current principal payments to total debt issue. Debt issuance costs, except any portion related to prepaid insurance costs, are expensed when incurred.

In the fund financial statements, governmental fund types recognize debt premiums and discounts, as well as debt issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Position and Fund Equity

Net Position

The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted net position is subject to restrictions by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provision or enabling legislation.

Unrestricted net position represents assets that do not have any third-party limitations on their use.

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 Balances

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.

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NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016

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 legally or contractually required to be maintained intact.

Restricted fund balance – The portion of fund balances that is constrained to be 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.

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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 3 – Cash and Investments

Cash and investments as of December 31, 2016, are classified in the accompanying financial statements as follows:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Cash	\$ 29,658	\$ (13,725)	\$ 15,933
Investments	-	7,351,658	7,351,658
Total	<u>\$ 29,658</u>	<u>\$ 7,337,933</u>	<u>\$ 7,367,591</u>

Cash Deposits

Custodial credit risk

Custodial risk for deposits is the risk that, in the event of a failure of a depository financial institution, the District will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. The Colorado Public Deposit Protection Act (PDPA) governs the investment of public funds. PDPA requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. Amounts on deposit in excess of federal insurance levels (\$250,000) 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 equal to 102% of the aggregate uninsured deposits. The institution's internal records identify the collateral by depositor and as such, these deposits are considered to be uninsured but collateralized. The State Regulatory Commissions 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, 2016, the District's bank deposits amounting to \$64,092 were insured by federal depository insurance and consequently were not exposed to custodial credit risk.

Investments

The District has adopted an investment policy by which it follows state statutes regarding investments.

The District generally limits its concentration of investments to obligations of the United States, certain U.S. government agency securities and Local Government Investment Pools, which are believed to have minimal credit risk; minimal interest rate risk and no foreign currency risk.

STC METROPOLITAN DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

Additionally, the District is not subject to concentration risk disclosure requirements or subject to investment custodial credit risk for investments that are in the possession of another party.

Colorado revised statutes limit investment maturities to five years or less unless 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 US 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

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Colotrust is an external investment pool that records its investments at fair value. The investment in Colotrust is categorized as a Level 2 investment.

At December 31, 2016, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>
Colorado Local Government Liquid Asset Trust (Colotrust)	Weighted average under 60 days	<u>\$ 7,351,658</u>

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NOTES TO FINANCIAL STATEMENTS

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The District invested in the Colorado Local Government Liquid Asset Trust (Colotrust), 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 Colotrust. Colotrust operates similarly to a money market fund and each share is equal in value to \$1.00. Colotrust offers two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities, certain obligations of agencies of the U.S. government and written purchase agreements collateralized by U.S Treasury securities or certain obligations of U.S government agencies. COLOTRUST PLUS+ may also invest in highest rated commercial paper and any security allowed under CRS 24-75-601. A designated custodial bank serves as a custodian for Colotrust's portfolios pursuant to a custodian agreement. The custodian acts as a safekeeping agent for Colotrust'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 Colotrust. Colotrust is rated AAAM by Standard & Poor's.

Note 4 – Capital Assets

An analysis of the changes in capital assets for the year ended December 31, 2016 follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Construction in Progress	<u>\$9,246,291</u>	<u>\$7,153,348</u>	<u>\$ -</u>	<u>\$16,399,639</u>

STC METROPOLITAN DISTRICT NO. 2

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

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, 2016:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Governmental Activities:</u>					
General Obligation Limited Tax Bonds, Series 2015A	\$17,055,000	\$ -	\$ -	\$17,055,000	\$ -
Subordinate General Obligation Limited Tax Bonds, Series 2015B	7,000,000	-	-	7,000,000	-
Original Issue Discount	(505,269)	-	(30,405)	(474,864)	-
Developer Advances:					
Capital	-	7,600	-	7,600	-
Operating	142,144	167,962	-	310,106	-
Developer Advance Accrued Interest:					
Capital	243	-	-	243	-
Operating	9,156	17,500	-	26,656	-
	<u>\$23,701,274</u>	<u>\$ 193,062</u>	<u>\$ (30,405)</u>	<u>\$23,924,741</u>	<u>\$ -</u>

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

General Obligation Bonds

\$17,055,000 General Obligation Limited Tax Bonds, Series 2015A, dated April 8, 2015, (the Senior Bonds) with interest of 6.00%, payable semiannually on June 1 and December 1, beginning on June 1, 2015. Annual mandatory sinking fund principal payments are due on December 1, beginning on December 1, 2018. The Bonds mature on December 1, 2038, and are subject to redemption prior to maturity, at the option of the District, on December 1, 2019, and on any date thereafter, upon payment of par, accrued interest, and a redemption premium of a percentage of the principal amount so redeemed, as follows:

<u>Date of Redemption</u>	<u>Redemption Premium</u>
December 1, 2019, to November 30, 2020	3.00%
December 1, 2020, to November 30, 2021	2.00%
December 1, 2021, to November 30, 2022	1.00%
December 1, 2022, and thereafter	0.00%

STC METROPOLITAN DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

The proceeds from the sale of the Senior and Subordinate Bonds, as hereinafter defined, were used for the purposes of: (i) paying or reimbursing the costs of capital infrastructure improvements; (ii) providing capitalized interest for the Senior Bonds; (iii) funding a Reserve Fund securing the Senior Bonds; and; (iv) paying costs of issuance of the Senior and Subordinate Bonds.

The Series 2015 Bonds, as hereinafter defined, are limited tax general obligations of the District secured by and payable solely from the Pledged Revenue, generally consisting of: (a) PIF Revenue attributable to privately imposed public improvement fees payable with respect to the Sports Arena Facility located within the boundaries of the District; (b) prior to the TIF Expiration Date, all SURA Pledged Revenue (comprised of certain property tax increment revenues payable to the District in accordance with the Cost Sharing Agreement); (c) property tax revenues derived from ad valorem property taxes imposed by the District and District No. 1, a portion of which revenues constitute District Property Tax Increment Revenue payable by Superior Urban Renewal Authority (SURA) to the District in accordance with a Cost Sharing Agreement; (d) certain Specific Ownership Tax Revenues; and (e) all PILOT Revenue (constituting certain payments in lieu of taxes) if any.

The 2015 Bond Indenture requires that a District No. 2 Required Mill Levy be imposed in an amount sufficient to pay the principal of and interest on the Senior Bonds, in an amount equal to 35 mills in tax levy years 2015 through 2023 and 50 mills in tax levy years 2024 and thereafter. Further, District No. 1 had pledged a debt service mill levy of 50 mills.

The Senior Bonds are also secured by amounts held in the Senior Reserve Fund, which is to be funded upon issuance of the Senior Bonds in the amount of the Required Reserve equal to \$1,601,000, and amounts accumulated in the Surplus Fund, if any.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ -	\$ 1,023,300	\$ 1,023,300
2018	280,000	1,023,300	1,303,300
2019	300,000	1,006,500	1,306,500
2020	315,000	988,500	1,303,500
2021	335,000	969,600	1,304,600
2022-2026	2,185,000	4,505,100	6,690,100
2027-2031	3,755,000	3,679,500	7,434,500
2032-2036	5,550,000	2,346,000	7,896,000
2037-2038	4,335,000	439,800	4,774,800
	<u>\$ 17,055,000</u>	<u>\$ 15,981,600</u>	<u>\$ 33,036,600</u>

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NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

\$7,000,000 Subordinate General Obligation Limited Tax Bonds, Series 2015B, dated April 8, 2015, (the Subordinate Bonds, together with the Senior Bonds, the Series 2015 Bonds) with interest of 7.75%, payable annually on December 15, beginning on December 15, 2015. The Subordinate Bonds are structured as cash flow bonds meaning that there are no scheduled payments of principal prior to the final maturity date. Principal on the Subordinate Bonds is payable each December 15 from revenues available after the payment of all amounts due on the Senior Bonds, including funding the Senior Reserve Fund and the Surplus Fund as required in the Indenture. Unpaid interest on the Subordinate Bonds compounds annually on each December 15. The Subordinate Bonds are also subject to redemption prior to maturity, at the option of the District, on December 15, 2019, and on any date thereafter, upon payment of par, accrued interest, and a redemption premium of a percentage of the principal amount so redeemed, as follows:

<u>Date of Redemption</u>	<u>Redemption Premium</u>
December 15, 2019, to December 14, 2020	3.00%
December 15, 2020, to December 14, 2021	2.00%
December 15, 2021, to December 14, 2022	1.00%
December 15, 2022, and thereafter	0.00%

The amounts of principal and interest payments to be made in future years on the Subordinate Bonds will depend on pledged revenue collected and cannot be predicted with certainty.

Developer Advances

The District entered into an Operation Funding Agreement and a Facilities Funding and Acquisition Agreement with the Developer as follows:

2015 Operation Funding Agreement (2015 OFA)

On November 3, 2014, with an effective date of January 1, 2015, the District entered into a 2015 OFA with RC Superior, LLC. (the Developer). The 2015 OFA provides that the District will reimburse the Developer for any advances made to the District for operations and maintenance expenses for fiscal years 2015 through 2019, up to \$300,000, together with interest at a rate of 9% per annum.

The obligation of the Developer to advance funds under the 2015 OFA expires on March 15, 2020. In the event the District has not reimbursed the Developer for any Developer Advance(s) made pursuant to the 2015 OFA on or before December 31, 2054, any amount of principal and accrued interest outstanding on such date shall be deemed to be forever discharged and satisfied in full. The total amount advanced under the 2015 OFA for the year ended December 31, 2016 was \$167,962. At December 31, 2016, the total amount advanced was \$310,106, plus accrued interest of \$26,656.

STC METROPOLITAN DISTRICT NO. 2

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

Facilities Funding and Acquisition Agreement (FFAA)

On November 3, 2014, with an effective date of January 1, 2014, the District entered into a FFAA with the Developer. The FFAA provides that the District will reimburse the Developer for any advances made to the District for organization expenses (Organization Expenses) and construction related expenses (Construction Expenses) associated with the costs of improvements to be provided by the District for the period commencing January 1, 2014 through December 31, 2017, up to the Annual Shortfall Amount for each budget year, as determined during the District's budget process. For budget year 2015, the estimated Annual Shortfall Amount was \$200,000.

For advances made for Organization Expenses, interest shall accrue from the date of organization of the District until paid at the rate nine percent (9%) per annum, compounded annually. For Construction Expenses, interest shall accrue on each Developer Advance from the date of deposit into the District's account until paid at the rate of nine percent (9%) per annum, compounded annually. The Parties agree that payments by the District to the Developer shall credit first against accrued and unpaid interest and then to the principal amount due.

In the event the District has not reimbursed the Developer for any Developer Advance(s) made pursuant to this FFAA on or before December 31, 2054, any amount of principal and accrued interest outstanding on such date shall be deemed to be forever discharged and satisfied in full. The total amount advanced under the FFAA for the year ended December 31, 2016 was \$7,600, plus accrued interest of \$243.

STC METROPOLITAN DISTRICT NO. 2

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

Authorized Debt

On November 5, 2013, District voters approved debt authorization in the amount of \$1,305,000,000, at an interest rate not to exceed 9% per annum, for the construction of capital improvements, with an additional \$290,000,000 for refunding debt. The voters also authorized debt of \$145,000,000 each for the cost of operating and maintaining the District's systems and for intergovernmental agreements.

At December 31, 2016, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

	Authorized November 5, 2013	2015 Series A & B Limited Tax GO Bonds	Authorized but Unissued at December 31, 2016
Streets	\$ 145,000,000	\$ 13,600,000	\$ 131,400,000
Parks and Recreation	145,000,000	5,110,000	139,890,000
Water	145,000,000	1,020,000	143,980,000
Sanitation/Storm	145,000,000	3,900,000	141,100,000
Public Transportation	145,000,000	-	145,000,000
Mosquito Control	145,000,000	-	145,000,000
Traffic and Safety	145,000,000	400,000	144,600,000
Fire Protection	145,000,000	25,000	144,975,000
Television Relay	145,000,000	-	145,000,000
Operations and Maintenance	145,000,000	-	145,000,000
Intergovernmental Agreements	145,000,000	-	145,000,000
Refundings	290,000,000	-	290,000,000
	<u>\$ 1,885,000,000</u>	<u>\$ 24,055,000</u>	<u>\$ 1,860,945,000</u>

The Service Plan limits the total principal amount of obligations the District may issue to \$145,000,000. Additionally, the Maximum Debt Mill levy is 50.000 mills while the aggregate District's debt exceeds fifty percent (50%) of the District's assessed valuation. With prior Town Board consent, for the portion of any aggregate District's Debt which is equal to or less than fifty percent (50%) of the District's assessed valuation, either on the date of issuance or at any time thereafter, the mill levy to be imposed to repay such portion of Debt shall not be subject to the Maximum Debt Mill Levy and, as a result, the mill levy may be such amount as is necessary to pay the Debt service on such Debt, without limitation of rate.

STC METROPOLITAN DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016

Note 6 – District Agreements

Cost Sharing Agreement

On October 18, 2013, the Districts entered into a Cost Sharing Agreement (CSA) with the Superior Urban Renewal Authority (SURA) and RC Superior, LLC (the Developer). The CSA provides that tax increment revenues received by the SURA, net of Rocky Mountain Fire Protection District and collection fees, be disbursed to the District as pledged revenues for any bonds or other financial obligations issued by the District.

Capital Pledge Agreement

On April 14, 2015, the District issued \$17,055,000 Limited Tax General Obligation Senior Bonds, Series 2015A and \$7,000,000 Limited Tax General Obligation Subordinate Bonds, Series 2015B (the Bonds). In connection with the Bonds, the District and District No. 1 entered into a Capital Pledge Agreement dated April 1, 2015 whereby District No. 1 agrees to impose the District No. 1 Required Mill Levy, generally equal to 50 mills, subject to the limitations and adjustments described in the 2015 Bond Indenture (see Note 5), and assign and remit to the District all revenues resulting from the imposition of the District No. 1 Required Mill Levy and Specific Ownership Taxes, as well as certain other revenues of District No. 1 to pay a portion of the principal of and interest on the Bonds commencing in 2016 and each year thereafter so long as the Bonds remains outstanding.

Further, pursuant to the Urban Renewal Act and Superior Urban Renewal Plan, until the tax increment expiration date, the District Property Tax Increment Revenues are payable to SURA and that, pursuant to the Cost Sharing Agreement, SURA has agreed to disburse the District Property Tax Increment Revenues on a monthly basis to such persons or entities as may be designated by the Designated Representative (as defined in the Cost Sharing Agreement). The Pledged Revenues, including the District Property Tax Increment Revenues attributable to the District No. 1 Required Mill Levy, are pledged by District No. 1 to the District for the payment of principal and interest on the Bonds.

Facilities Funding, Construction and Operation Agreement (FFCO Agreement)

On January 1, 2015, the Districts entered into a Facilities Funding, Construction and Operation Agreement (FFCO Agreement). The FFCO Agreement entirely replaced and superseded the Memorandum of Understanding (the District MOU) dated December 13, 2013, whereby the Districts agreed that District No. 1 would provide for the construction, design, operation and maintenance of the District Improvements, as well as the overall administration of the Districts.

The FFCO Agreement designates the District as the Operating District which will operate, maintain, finance and construct (including funding thereof) certain of the Public Improvements and District No.

STC METROPOLITAN DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

1 and District No. 3 will contribute to those costs. District No. 1 and District No. 3 shall remit to the District their respective property tax revenue, specific ownership taxes and any other legally available revenue.

Additionally, the Districts agree that the District assumes the obligations of District No.1 with respect to Developer Advances made pursuant to the 2013 – 2014 Operation Funding Agreement dated December 11, 2013 between District No. 1 and the Developer and the Facilities Funding and Acquisition Agreement dated December 11, 2013 between District No. 1 and the Developer (see Note 5).

Public Improvement Fees

Pursuant to the Declaration of Covenants Imposing and Implementing the Superior Town Center Public Improvement Fees and Payment in Lieu of Taxes, recorded on April 14, 2015, against certain property within the District, the owner of the subject property is obligated to pay public improvement fees (PIF) to the District. Revenues derived from the PIF are pledged for the payment of the 2015 Bonds (see Note 5). The PIF is the amount payable annually for years 2015 through 2044.

Future amounts, less the amount of District property taxes paid by the owner on the property for the applicable year are as follows:

<u>Year</u>	<u>PIF</u>
2017	\$ 396,925
2018	567,035
2019	713,430
2020	729,588
2021	746,070
2022-2026	3,989,349
2027-2031	4,926,275
2032-2036	5,373,329
2037-2041	5,436,875
2042-2044	<u>3,262,125</u>
	<u>\$ 26,141,001</u>

In 2016, The District received the scheduled payment of \$141,759, less applicable property taxes.

STC METROPOLITAN DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

Note 7 – Net Position

The District’s net position consists of three components: net investment in capital assets, restricted and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of loans, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. At December 31, 2016, the District had net investment in capital assets calculated as follows:

	Governmental Activities
Net Investment in Capital Assets	
Capital assets, net	\$ 16,399,639
Noncurrent portion of outstanding long-term obligations	(19,200,978)
Unspent bond proceeds	2,809,664
	<u>\$ 8,325</u>

Restricted net position includes 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 restricted net position as of December 31, 2016 as follows:

	Governmental Activities
Restricted net position	
Emergency reserves	\$ 5,326
Debt service	308,753
	<u>\$ 314,079</u>

The District had restricted net position of \$5,326 as required by Article X, Section 20 of the Constitution of the State of Colorado (See Note 11). The District had restricted net position of \$308,753 representing funds accumulated for the payment of long-term debt.

The District has a deficit in unrestricted net position. The deficit is a result of certain debt and operating related expenses funded with bond proceeds and developer advances.

STC METROPOLITAN DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016

Note 8 – Related Party

The members of the Board of Directors of the District may be or have been employees, owners of, or otherwise associated with the Developer, and may have conflicts of interest in dealing with the District.

Note 9 – Economic Dependency

The District has not yet established a revenue base sufficient to pay the District's operational expenditures. Until an independent revenue base is established, continuation of operations in the District will be dependent upon actions by the Developer to advance funds for operations of the District.

Note 10 – 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 natural disasters.

The District is a member of the Colorado Special Districts Property and Liability Pool (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 general and automobile liability, public officials, auto physical damage and worker's compensation coverage. In the event aggregate 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 11 – 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

STC METROPOLITAN DISTRICT NO. 2

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

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.

On November 5, 2013, the voters approved the District to increase property taxes \$2,000,000 annually for the purpose of paying the District's operations, maintenance expenses and capital expenses, without regard to any spending, revenue raising or other limitation contained within Article X, Section 20 of the Colorado Constitution or any other property tax limitation or law.

Additionally, the voters authorized the District to collect, retain and spend all revenues received by the District during 2014 and all subsequent years as voter-approved revenue changes without regard to any spending, revenue raising or other limitation.

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

STC METROPOLITAN DISTRICT NO. 2

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

DEBT SERVICE FUND

For the Year Ended December 31, 2016

(With Comparative Totals for the Year Ended December 31, 2015)

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)	2015 Actual
Revenues					
Property Taxes	\$ 65	\$ 65	\$ 69	\$ 4	\$ -
SURA Property Tax Increment	490,000	336,093	495,753	159,660	569,429
Public Improvement Fees	141,759	106,141	106,141	-	34,022
Transfer from District No. 1	262	43,560	43,771	211	-
Net investment income	600	7,000	7,512	512	1,011
Total Revenues	632,686	492,859	653,246	160,387	604,462
Expenditures					
Debt service					
Interest	1,023,300	1,023,300	1,023,300	-	645,248
Miscellaneous	-	200	-	200	36
Treasurer's Fees	-	15,000	5,420	9,580	-
Paying Agent Fees	-	11,500	4,000	7,500	-
Bond Issue Costs	-	-	-	-	993,514
Total Expenditures	1,023,300	1,050,000	1,032,720	17,280	1,638,798
Excess Revenues Over (Under) Expenditures	(390,614)	(557,141)	(379,474)	177,667	(1,034,336)
Other Financing Sources (Uses)					
Bond Proceeds	-	-	-	-	24,055,000
Bond Discount	-	-	-	-	(524,441)
Transfers Out	-	-	-	-	(19,193,378)
Total Other Financing Sources (Uses)	-	-	-	-	4,337,181
Net Change in Fund Balance	(390,614)	(557,141)	(379,474)	177,667	3,302,845
Fund Balance - Beginning	3,297,028	3,302,845	3,302,845	-	-
Fund Balance - Ending	\$ 2,906,414	\$ 2,745,704	\$ 2,923,371	\$ 177,667	\$ 3,302,845

See the Independent Auditor's Report

STC METROPOLITAN DISTRICT NO. 2

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
CAPITAL PROJECTS FUND**

For the Year Ended December 31, 2016

(With Comparative Totals for the Year Ended December 31, 2015)

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)	2015 Actual
Revenues				
Net investment income	\$ 2,000	\$ 20,203	\$ 18,203	\$ 3,910
Expenditures				
Current				
Management	8,000	9,219	(1,219)	10,374
Accounting	7,000	5,240	1,760	1,378
Legal	120,000	78,244	41,756	83,367
Miscellaneous	-	688	(688)	-
Capital Outlay				
Construction Expenses	6,449,053	7,052,357	(603,304)	8,871,459
Design Costs	399,227	7,600	391,627	-
System Capacity Payments	1,512,000	-	1,512,000	-
Developer Reimbursement	-	-	-	379,479
Bonding	104,082	-	104,082	-
Total Expenditures	8,599,362	7,153,348	1,446,014	9,346,057
Excess Revenues Over (Under) Expenditures	(8,597,362)	(7,133,145)	1,464,217	(9,342,147)
Other Financing Sources				
Transfers In	-	-	-	19,193,378
Developer Advances	2,235,806	7,600	(2,228,206)	83,978
Total Other Financing Sources	2,235,806	7,600	(2,228,206)	19,277,356
Net Change in Fund Balance	(6,361,556)	(7,125,545)	(763,989)	9,935,209
Fund Balance - Beginning	9,926,508	9,935,209	8,701	-
Fund Balance - Ending	\$ 3,564,952	\$ 2,809,664	\$ (755,288)	\$ 9,935,209

See the Independent Auditor's Report

OTHER INFORMATION

STC METROPOLITAN DISTRICT NO. 2

**Schedule of Future Debt Service Requirements
December 31, 2016**

**\$17,055,000 Limited Tax General Obligation Bonds
Series 2015A**

<u>Year</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	6.000	\$ -	\$ 1,023,300	\$ 1,023,300
2018	6.000	280,000	1,023,300	1,303,300
2019	6.000	300,000	1,006,500	1,306,500
2020	6.000	315,000	988,500	1,303,500
2021	6.000	335,000	969,600	1,304,600
2022	6.000	375,000	949,500	1,324,500
2023	6.000	410,000	927,000	1,337,000
2024	6.000	425,000	902,400	1,327,400
2025	6.000	460,000	876,900	1,336,900
2026	6.000	515,000	849,300	1,364,300
2027	6.000	625,000	818,400	1,443,400
2028	6.000	690,000	780,900	1,470,900
2029	6.000	745,000	739,500	1,484,500
2030	6.000	815,000	694,800	1,509,800
2031	6.000	880,000	645,900	1,525,900
2032	6.000	955,000	593,100	1,548,100
2033	6.000	1,030,000	535,800	1,565,800
2034	6.000	1,115,000	474,000	1,589,000
2035	6.000	1,185,000	407,100	1,592,100
2036	6.000	1,265,000	336,000	1,601,000
2037	6.000	1,340,000	260,100	1,600,100
2038	6.000	2,995,000	179,700	3,174,700
		<u>\$ 17,055,000</u>	<u>\$ 15,981,600</u>	<u>\$ 33,036,600</u>