

SILVER PEAKS METROPOLITAN DISTRICT NO. 2

Financial Statements

Year Ended December 31, 2016

with

Independent Auditors' Report



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Board of Directors
Silver Peaks Metropolitan District No. 2
Weld County, Colorado

Independent Auditors' Report

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Silver Peaks Metropolitan District No. 2 (the "District") 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards general accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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 Silver Peaks Metropolitan District No. 2 as of December 31, 2016, and the respective changes in the financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Management has omitted the management's discussion and analysis that accounting principles general 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's financial statements as a whole. The supplementary information as listed in the table of contents is presented for the purposes of legal compliance and additional analysis and is not a required part of the 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 financial statements. The 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.

Stratagem PC
Certified Public Accountants
Lakewood, Colorado

September 26, 2017

SILVER PEAKS METROPOLITAN DISTRICT NO. 2

BALANCE SHEET/STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
December 31, 2016

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS						
Cash and investments	\$ 11,634	\$ -	\$ -	\$ 11,634	\$ -	\$ 11,634
Cash and investments - restricted	-	75,105	380	75,485	-	75,485
Receivable - County Treasurer	985	8,863	-	9,848	-	9,848
Property taxes receivable	32,606	293,461	-	326,067	-	326,067
Developer Receivable	2,012	-	-	2,012	(2,012)	-
Due from other funds	7,636	-	-	7,636	(7,636)	-
Capital assets not being depreciated	-	-	-	-	2,431,217	2,431,217
Capital assets being depreciated, net	-	-	-	-	296,996	296,996
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 54,873</u>	<u>\$ 377,429</u>	<u>\$ 380</u>	<u>\$ 432,682</u>	<u>2,718,565</u>	<u>3,151,247</u>
LIABILITIES						
Accounts payable	\$ 21,567	\$ -	\$ -	\$ 21,567	-	21,567
Accrued interest on bonds	-	-	-	-	22,866	22,866
Due to other funds	-	5,345	2,291	7,636	(7,636)	-
Due to Other Districts	700	1,000	-	1,700	-	1,700
Long-term liabilities:						
Due within one year	-	-	-	-	164,000	164,000
Due in more than one year	-	-	-	-	8,375,677	8,375,677
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>22,267</u>	<u>6,345</u>	<u>2,291</u>	<u>30,903</u>	<u>8,554,907</u>	<u>8,585,810</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred property taxes	<u>32,606</u>	<u>293,461</u>	<u>-</u>	<u>326,067</u>	<u>-</u>	<u>326,067</u>
Total Deferred Inflows of Resources	<u>32,606</u>	<u>293,461</u>	<u>-</u>	<u>326,067</u>	<u>-</u>	<u>326,067</u>
FUND BALANCES/NET POSITION						
Restricted:						
Emergencies	1,278	-	-	1,278	(1,278)	-
Debt service	-	77,623	-	77,623	(77,623)	-
Capital projects	-	-	3	3	(3)	-
Unassigned	<u>(1,278)</u>	<u>-</u>	<u>(1,914)</u>	<u>(3,192)</u>	<u>3,192</u>	<u>-</u>
Total Fund Balances	<u>-</u>	<u>77,623</u>	<u>(1,911)</u>	<u>75,712</u>	<u>(75,712)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 54,873</u>	<u>\$ 377,429</u>	<u>\$ 380</u>	<u>\$ 432,682</u>		
Net Position:						
Restricted for:						
Emergencies					1,278	1,278
Debt service					54,757	54,757
Capital projects					3	3
Unrestricted					<u>(5,816,668)</u>	<u>(5,816,668)</u>
Total Net Position					<u>\$ (5,760,630)</u>	<u>\$ (5,760,630)</u>

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

SILVER PEAKS METROPOLITAN DISTRICT NO. 2

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

For the Year Ended December 31, 2016

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
EXPENDITURES						
Insurance	\$ 3,168	\$ -	\$ -	\$ 3,168	\$ -	\$ 3,168
Legal	21,176	-	-	21,176	-	21,176
District management and accounting	15,753	-	-	15,753	-	15,753
Directors' fees and payroll taxes	100	-	-	100	-	100
Miscellaneous expenses	464	-	-	464	-	464
Treasurer's fees	470	4,234	-	4,704	-	4,704
Bond principal	-	86,000	-	86,000	(86,000)	-
Bond interest expense	-	280,960	-	280,960	(1,998)	278,962
Developer Interest	-	-	-	-	186,203	186,203
Paying agent fees	-	2,500	-	2,500	-	2,500
Depreciation	-	-	-	-	10,796	10,796
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,796</u>	<u>10,796</u>
Total Expenditures	<u>41,131</u>	<u>373,694</u>	<u>-</u>	<u>414,825</u>	<u>109,001</u>	<u>523,826</u>
GENERAL REVENUES						
Property taxes	31,340	282,060	-	313,400	-	313,400
Specific ownership taxes	1,806	16,263	-	18,069	-	18,069
IGA Transfer	-	64,500	-	64,500	-	64,500
Transfer from Escrow	-	89,442	-	89,442	-	89,442
Interest income	25	320	3	348	-	348
	<u>25</u>	<u>320</u>	<u>3</u>	<u>348</u>	<u>-</u>	<u>348</u>
Total General Revenues	<u>33,171</u>	<u>452,585</u>	<u>3</u>	<u>485,759</u>	<u>-</u>	<u>485,759</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES						
	<u>(7,960)</u>	<u>78,891</u>	<u>3</u>	<u>70,934</u>	<u>(109,001)</u>	<u>(38,067)</u>
OTHER FINANCING SOURCES						
Developer advances	7,012	-	-	7,012	(7,012)	-
	<u>7,012</u>	<u>-</u>	<u>-</u>	<u>7,012</u>	<u>(7,012)</u>	<u>-</u>
Total Other Financing Sources	<u>7,012</u>	<u>-</u>	<u>-</u>	<u>7,012</u>	<u>(7,012)</u>	<u>-</u>
NET CHANGES IN FUND BALANCES						
	(948)	78,891	3	77,946	(77,946)	
CHANGE IN NET POSITION						
					(38,067)	(38,067)
FUND BALANCES/NET POSITION:						
BEGINNING OF YEAR	948	(1,268)	(1,914)	(2,234)	(5,720,329)	(5,722,563)
END OF YEAR	<u>\$ -</u>	<u>\$ 77,623</u>	<u>\$ (1,911)</u>	<u>\$ 75,712</u>	<u>\$ (5,836,342)</u>	<u>\$ (5,760,630)</u>

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

SILVER PEAKS METROPOLITAN DISTRICT NO. 2

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

For the Year Ended December 31, 2016

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES				
Property taxes	\$ 31,067	\$ 31,250	\$ 31,340	\$ 90
Specific ownership taxes	2,485	1,600	1,806	206
Interest income	<u>20</u>	<u>25</u>	<u>25</u>	<u>-</u>
Total Revenues	<u>33,572</u>	<u>32,875</u>	<u>33,171</u>	<u>296</u>
EXPENDITURES				
Audit	2,050	2,050	-	2,050
Election expense	5,000	-	-	-
Insurance	2,300	3,168	3,168	-
Legal	7,500	22,000	21,176	824
Directors' fees and payroll taxes	2,400	2,400	100	2,300
Management fees and accounting	12,000	12,000	15,753	(3,753)
Miscellaneous expenses	200	2,913	464	2,449
Treasurer's fees	360	469	470	(1)
Dues and subscriptions	300	-	-	-
Support services	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>33,110</u>	<u>45,000</u>	<u>41,131</u>	<u>3,869</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	<u>462</u>	<u>(12,125)</u>	<u>(7,960)</u>	<u>4,165</u>
OTHER FINANCING SOURCES				
Developer advances	<u>-</u>	<u>11,177</u>	<u>7,012</u>	<u>(4,165)</u>
Total Other Financing Sources	<u>-</u>	<u>11,177</u>	<u>7,012</u>	<u>(4,165)</u>
NET CHANGE IN FUND BALANCE				
	462	(948)	(948)	-
FUND BALANCE:				
BEGINNING OF YEAR	<u>-</u>	<u>948</u>	<u>948</u>	<u>-</u>
END OF YEAR	<u>\$ 462</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

SILVER PEAKS METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2016

Note 1: Summary of Significant Accounting Policies

The accounting policies of Silver Peaks Metropolitan District No. 2, located in Weld County, Colorado, entirely within the Town of Lochbuie (Town), conform to the accounting principles generally accepted in the United States of America (“GAAP”) as applicable to governmental units. The District is one of five overlaid districts (Silver Peaks Metropolitan District Nos. 1-5, the Districts, or SPMD No. 1, 2, 3, 4, or 5). The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies consistently applied in the preparation of financial statements.

Definition of Reporting Entity

The District was organized on November 20, 2000, as a quasi-municipal organization established under the State of Colorado Special District Act. The District was established primarily to coordinate the financing, construction and installation of local public improvements, including streets, traffic safety controls, street lighting, landscaping, storm drainage, television relay, water, sanitary sewer, park and recreation, transportation, and mosquito control improvements for the Silver Peaks Development. Public improvements and facilities constructed or acquired by the District may be owned and maintained by the District or may be dedicated for ownership and maintenance to the Town, to the South Beebe Draw Metropolitan District (SBD), or to other non-profit or governmental entities for the use and benefit of the District residents and taxpayers. The District will dissolve when there are no maintenance obligations, financial obligations, outstanding bonds, or other obligations outstanding, and upon a determination of the Town, that all of the purposes for which the District was created have been accomplished, and that all financial obligation are defeased or secured by escrowed funds or securities meeting the investment requirements in part 6 of article 75 of title 24, C.R.S.

The District has entered into an intergovernmental agreement with Silver Peaks Metropolitan District No. 3-5 whereby certain revenues generated by the Districts will be shared with Silver Peaks Metropolitan District No. 1.

The District's primary revenues are property taxes. The District is governed by an elected Board of Directors.

SILVER PEAKS METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2016

As required by GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District follows the GASB pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB sets 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 pronouncements also require including a possible component unit if it would be misleading to exclude it.

The District is not financially accountable for any other organization. The District has no component units as defined by the GASB.

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

Basis of Presentation

The accompanying financial statements are presented per GASB Statement No. 34 - Special Purpose Governments.

The government-wide financial statements (i.e. the governmental funds balance sheet/statement of net position and the governmental funds statement of revenues, expenditures, and changes in fund balances/statement of activities) report information on all of the governmental activities of the District. The statement of net position reports all financial and capital resources of the District. The difference between the (a) assets and deferred outflows of resources and the (b) liabilities and deferred inflows of resources of the District is reported as net position. The statement of activities demonstrates the degree to which expenditures/expenses of the governmental funds are supported by general revenues. For the most part, the effect of interfund activity has been removed from these statements.

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

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

SILVER PEAKS METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2016

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 the related cash flows. Property taxes are recognized as revenues in the year for which they are collected.

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 of the end of the current fiscal period. The material sources of revenue subject to accrual are property taxes and interest. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is paid.

The District reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources not accounted for and reported in another fund.

Debt Service Fund – The Debt Service Fund is used to account for all financial resources that are restricted, committed or assigned to expenditures for principal, interest and other debt related costs.

Capital Projects Fund – The Capital Projects Fund is used to account for all financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other assets.

Budgetary Accounting

Budgets are adopted on a non-GAAP basis for the governmental funds. In accordance with the State Budget Law of Colorado, the District's Board of Directors holds public hearings in the fall of each year to approve the budget and appropriate the funds for the ensuing year. 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 appropriation is at the total fund expenditures level and lapses at year end.

Subsequent to year end, the District amended its total appropriations in the General Fund from \$33,110 to \$45,000 primarily due to higher legal expenditures than expected and amended its total appropriations in the Debt Service Fund from \$302,603 to \$460,000 primarily due to bond interest expenditures.

SILVER PEAKS METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2016

Assets, Liabilities, Deferred Inflows/Inflows of Resources and Net Position

Fair Value of Financial Instruments

The District's financial instruments include cash and cash equivalents, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2016, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand and short-term investments with maturities of three months or less from the date of acquisition. Investments for the government are reported at fair value.

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 minimum number of bank accounts. 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.

Interfund Balances

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". These amounts are eliminated in the Statement of Net Position.

Estimates

The preparation of these financial statements in conformity with GAAP requires the District management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial 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 (expense/expenditure) until then. The District does not have any items that qualify for reporting under this category at December 31, 2016.

SILVER PEAKS METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2016

In addition to liabilities, the statement of financial position 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. Deferred property taxes are deferred and recognized as an inflow of resources in the period that the amounts become available.

Capital Assets

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

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable using the straight-line method. Depreciation on property that will remain assets of the District is reported on the Statement of Activities as a current charge. Improvements that will be conveyed to other governmental entities are classified as construction in progress and are not depreciated. Land and certain landscaping improvements are not depreciated. Depreciation expense of \$10,796 was recognized during 2016.

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

Parks and recreation	40 years
Landscaping improvements	20 years

Fees

The District imposes certain infrastructure fees on property within the District pursuant to a joint resolution with Silver Peaks Metropolitan Districts No. 1-5 as amended. The fees are required to be paid for an undeveloped lot on which a residential structure has not been constructed and a certificate of occupancy has not been issued. The District records the revenue when the fees are paid and received.

SILVER PEAKS METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2016

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 30 or if in equal installments, at the taxpayers' election, in February and June. Delinquent taxpayers are notified in July or August and the sales of the resultant tax liens on delinquent properties are generally 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 inflows in the year they are levied and measurable since they are not normally available nor are they budgeted as a resource until the subsequent year. The deferred property taxes are recorded as revenue in the subsequent year when they are available or collected.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

Fund Equity

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications make the nature and extent of the constraints placed on a government's fund balance more transparent:

Nonspendable Fund Balance

Nonspendable fund balance includes amounts that cannot be spent because they are either not spendable in form (such as inventory or prepaids) or are legally or contractually required to be maintained intact.

Restricted Fund Balance

The restricted fund balance includes amounts restricted for a specific purpose by external parties such as grantors, bondholders, constitutional provisions or enabling legislation.

The restricted fund balance in the General Fund represents Emergency Reserves that have been provided as required by Article X, Section 20 of the Constitution of the State of Colorado. A total of \$1,278 of the General Fund balance has been restricted in compliance with this requirement.

SILVER PEAKS METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2016

Committed Fund Balance

The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by a 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

Assigned fund balance includes amounts the District intends to use for a specific purpose. Intent can be expressed by the District's Board of Directors or by an official or body to which the Board of Directors delegates the authority.

Unassigned Fund Balance

Unassigned fund balance includes amounts that are available for any purpose. Positive amounts are reported only in the General Fund, all other funds can report negative amounts.

For the classification of Governmental Fund balances, the District considers an expenditure to be made from the most restrictive first when more than one classification is available.

Net Position

Net Position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The District reports three categories of net position, as follows:

Net investment in capital assets – consists of net capital assets, reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows or resources related to those assets.

Restricted net position – net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

Unrestricted net position – consists of all other net position that does not meet the definition of the above two components and is available for general use by the District.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District will use the most restrictive net position first.

SILVER PEAKS METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements
December 31, 2016

Deficits

At December 31, 2016, the Capital Projects Fund had a deficit fund balance of and \$1,911. This deficit is expected to be reduced by future developer advances. (See note 7.)

Note 2: Cash and Investments

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

Statement of Net Position:

Cash and investments	\$ 11,634
Cash and investments – restricted	<u>75,485</u>
Total	<u>\$ 87,119</u>

Cash and investments as of December 31, 2016 consist of the following:

Deposits with financial institutions	\$ 11,023
Investments - COLOTRUST	612
Investments - CSAFE	<u>75,484</u>
Total	<u>\$ 87,119</u>

Deposits

Custodial Credit Risk

The Colorado Public Deposit Protection Act, (“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 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 is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits. The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

The District follows state statutes for deposits. None of the District’s deposits were exposed to custodial credit risk.

SILVER PEAKS METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2016

Investments

Credit Risk

The District's investment policy requires that the District follow state statutes for investments. Colorado statutes specify the types of investments meeting defined rating and risk criteria in which local governments may invest. These investments include obligations of the United States and certain U.S. Government agency entities, certain money market funds, guaranteed investment contracts, and local government investment pools.

Custodial and Concentration of Credit Risk

None of the District's investments are subject to custodial or concentration of credit risk.

Interest Rate Risk

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors.

Investment Valuation

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. Investments not measured at fair value and not categorized include governmental money market funds and CSAFE which record their investments at amortized cost.

The District has the following recurring fair value measurements as of December 31, 2016:

<u>Investments</u>	<u>Maturity</u>	<u>Fair Value</u>
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted average under 60 days	\$ 612
Colorado Surplus Asset Asset Fund Trust (CSAFE)	Weighted average under 60 days	75,484

SILVER PEAKS METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2016

COLOTRUST

The local government investment pool, Colorado Local Government Liquid Asset Trust (“COLOTRUST”) is rated AAAM by Standard & Poor’s with a weighted average maturity of under 60 days, a Level 2 investment under the fair value hierarchy. COLOTRUST is an investment trust/joint ventures established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The trusts operate similarly to a money market fund with each share maintaining a value of \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both investments consist of U.S. Treasury bills and notes and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. Designated custodian banks provide safekeeping and depository services to the trusts. Substantially all securities owned by the trusts are held by the Federal Reserve Bank in the accounts maintained for the custodian banks. The custodians’ internal records identify the investments owned by COLOTRUST. At December 31, 2016, the District had \$612 invested in COLOTRUST.

CSAFE

The local government investment pool Colorado Surplus Asset Fund Trust (“CSAFE”), is rated AAAM by Standard and Poor’s and the maturity is weighted average under 60 days. CSAFE is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust is similar to a money market fund, with each share valued at \$1.00. CSAFE may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain money market funds, and highest rated commercial paper. A designated custodial bank serves as custodian for CSAFE’s portfolio pursuant to custodian agreements. The custodian acts as safekeeping agent for CSAFE’s investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodians’ internal records identify the investments owned by CSAFE. At December 31, 2016, the District had \$75,484 invested in CSAFE.

SILVER PEAKS METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements
December 31, 2016

Note 3: Capital Assets

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

Governmental Activities:	<u>Balance</u> 1/1/2016	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> 12/31/2016
Capital assets not being depreciated:				
Construction in process				
Water system	\$ 350,533	\$ -	\$ -	\$ 350,533
Storm sewer/drainage	395,875	-	-	395,875
Streets	1,247,450	-	-	1,247,450
Utilities	423,174	-	-	423,174
Parks and recreation	<u>14,185</u>	<u>-</u>	<u>-</u>	<u>14,185</u>
Total capital assets not being depreciated	<u>2,431,217</u>	<u>-</u>	<u>-</u>	<u>2,431,217</u>
Capital assets being depreciated:				
Parks and recreation	361,730	-	-	361,730
Landscaping improvements	<u>35,045</u>	<u>-</u>	<u>-</u>	<u>35,045</u>
Total capital assets being depreciated	396,775	-	-	396,775
Less accumulated depreciation	<u>(88,983)</u>	<u>(10,796)</u>	<u>-</u>	<u>(99,779)</u>
Net capital assets being depreciated	<u>307,792</u>	<u>(10,796)</u>	<u>-</u>	<u>296,996</u>
Governmental activities capital assets, net	<u>\$ 2,739,009</u>	<u>\$ (10,796)</u>	<u>\$ -</u>	<u>\$ 2,728,213</u>

In accordance with the District's service plan, the District will dedicate certain improvements and facilities to the Town or its designee upon completion of construction and installation. Upon acceptance by the County or its designee for maintenance and ownership, the facilities will be removed from the District's property records.

Note 4: Long Term Debt

A description of the long-term obligations as of December 31, 2016, is as follows:

Advance and Reimbursement Agreements

The District and The Bromley Companies, Lochbuie Land, LLC., SP Lochbuie, Englewood Exchange and Theodore Shipman, collectively ("Prior Developer") have agreed to recognize advances made by the Prior Developer to fund certain construction, maintenance and operating costs of the District pursuant to the Advance and Reimbursement Agreements ("A&R Agreement").

SILVER PEAKS METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2016

The District agreed to reimburse such advances, together with interest at the rate of 7% per annum, subject to annual appropriation and budget approval, from funds available within any fiscal year and not otherwise required for operations, capital improvements and debt service costs. The balances due at December 31, 2016, under this agreement are as follows: Lochbuie Land LLC, \$3,479,504 including accrued interest of \$1,033,786; The Bromley Companies, \$990 including accrued interest of \$490; SP Lochbuie, \$87,077 including accrued interest of \$18,435; Englewood Exchange, \$182,302 including accrued interest of \$47,302; and Theodore Shipman, \$12,804 including accrued interest of \$2,804.

Facilities Funding and Acquisition Agreement

On August 2, 2016, the District entered into a Facilities Funding and Acquisition Agreement (“FFAA”) with Walton, WM Sub SILP, LLC a Colorado Limited Liability Company (“SILP”) and WUSF 5 Silver Peaks LLC, a Colorado Limited Liability Company (“WUSF”), whereby the District agreed to acquire from SILP improvements constructed by SILP or to reimburse SILP for funds advanced to the District for construction of public improvements subject to conditions set forth in the FFAA. On July 27, 2016 SILP provided notice to the District of its intent to construct the initial phase of these improvements. Because SILP commenced construction of the initial improvements prior to the date of the FFAA, the parties agree that the notice requirements required in the FFAA are not applicable with respect to the initial improvements. The District agreed to reimburse SILP for the costs of the improvements plus interest at 7% per annum. The parties further agree that no payment will be required of the District beyond legally available funds of the District for such payment as further described in the FFAA. In the event the District is unable to reimburse the SILP within 40 years of the date of the advance or acquisition, any amount of principal and accrued interest outstanding at such time will be deemed to be forever discharged and satisfied in full.

Amendment to Advance and Reimbursement Agreement By and Between Silver Peaks Metropolitan District Nos. 1-5 and SP Lochbuie, L.L.C.

On July 2, 2015, Silver Peaks Nos. 1-5 entered into an Amendment to Advance and Reimbursement Agreement whereby the Districts agreed to continue to impose and collect the System Development Fees pursuant to a resolution dated November 15, 2014 (Joint Resolution Imposing Fees upon Property within the Districts). Further, the Districts agreed and acknowledged that, for so long as the System Development Fee remains pledged for the repayment of the 2006 Bonds and the Existing Advance remains outstanding and payable, the Districts shall not decrease or terminate each District’s obligation to impose and collect the System Development fee pursuant to the Fee Resolution without the express prior written consent of SP Lochbuie, which consent may be granted or denied in the sole discretion of SP Lochbuie.

SILVER PEAKS METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2016

Amendment to Advance and Reimbursement Agreement By and Between Silver Peaks Metropolitan District No. 2 and SP Lochbuie, L.L.C. and Walton Colorado, LLC

On July 2, 2015, the District entered into an Amendment to Advance and Reimbursement Agreement By and Between Silver Peaks Metropolitan District No. 2 and SP Lochbuie, L.L.C. and Walton Colorado, LLC (“Walton”), where by the Parties agreed to allocate and distribute any funds generated from the issuance of additional general obligation bonds (“New Bonds”), generally as follows: First to the repayment of the Series 2006 Bonds, second, to Walton for any advances to the District to allow the District to make scheduled amortization payments on the Series 2006 bonds to the extent that such advances were in excess of the \$400,000 bond escrow funds in accordance with the Escrow Fund Agreement (see below), third on a pro rata basis determined to be 23% percent to the Prior Developer up to \$850,900 and 77% to Walton up to \$2,870,200, fourth on equal priority based upon a ratio of assessed value of 353 lots to the total assessed value. The Prior Developer shall receive funds up to \$3,300,000 and there is no cap for Walton.

General Obligation Limited Tax Bonds, Series 2006

On December 28, 2006, the District issued \$7,440,000 in General Obligation (Limited Tax Convertible to Unlimited Tax) Bonds (the “Bonds”). The Bonds mature on December 1, 2036, and bear interest at 5.75% per annum. The bonds accrue interest from their date of delivery compounded on each June 1 and December 1, payable only upon maturity or prior redemption. The Bonds are subject to redemption prior to maturity, at the option of the District, as a whole or in part, on December 1, 2016, and on any date thereafter, upon payment of the principal amount of the Bonds being redeemed plus accrued interest to the redemption date, without redemption premium. The Bonds are subject to mandatory sinking fund redemption, in part, on December 1, 2011, and on each December 1st thereafter prior to the maturity date of such Bonds. In accordance with the Mandatory Excess Funds Redemption clause, the District used \$2,394,000 held in the Project Fund – Restricted Account to redeem a portion of the Bonds on December 1, 2011.

The Bonds are general obligations of the District secured by and payable from pledged revenues, which consist primarily of ad valorem property taxes, and specific ownership taxes collected by the County and remitted to the District primarily on motor vehicle licensing. The Bonds are also secured by amounts collected pursuant to a System Development Fee Agreement, which obligates S.P. Lochbuie, LLC to make scheduled payments to District No. 1 for system development fees to the maximum cumulative amount of \$478,500, which amount shall be reduced to the extent fee revenue is collected by the District in the ordinary course of its operations and remitted to District No. 2 after the Bonds are issued, and S.P. Lochbuie, LLC agrees to issue its guaranty of the payment of the shortfall for application to the payment of the principal and interest on the Bonds. The agreement should be referenced for the specific details of the amounts to be paid thereunder.

SILVER PEAKS METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2016

The bonds will initially constitute limited tax obligations of the District, but will be converted to unlimited tax general obligations, at such time, if ever, as the ratio of the principal amount of all bonds, notes, debentures, contracts, and other obligations for the payment of which the District is contractually obligated to levy general ad valorem property taxes to the assessed valuation of the taxable property in the District as then certified by the Weld County Assessor or other applicable county assessor first becomes 50% or less. Until the debt to assessed value ratio of the District is equal to 50% or less, pledged revenue that is not needed to pay debt service on the Bonds in any year will be deposited to and held in the Bond Surplus Fund, up to a maximum amount of \$744,000. As of December 31, 2016, the District has a \$0 balance in the Bond Surplus Fund.

Prior to conversion of the Bonds to unlimited tax general obligations, the District is to levy property taxes sufficient to replenish the Bonds Reserve Fund, established at closing, to the initial balance of \$623,612. At December 31, 2016, the balance of this account was \$0 as a result of the use to make the required debt service payments. The maximum mill levy of 55.063 has been levied as required. (See the related Escrow Fund Agreement below.)

Escrow Fund Agreement Regarding Silver Peaks Metropolitan District No. 2 Bonds

On July 2, 2015, the Escrow Fund Agreement Regarding Silver Peaks Metropolitan District No. 2 Bonds was entered into between Silver Peaks Metropolitan District No. 2 (“the District”), SP Lochbuie, L.L.C (“SPL”), Lochbuie Land L.L.C. (“Lochbuie Land”), Silver Peaks Metropolitan District No. 5 (“District No. 5”), and Community Resource Services of Colorado, LLC (“CRS”). Within this agreement SPL and Lochbuie Land are referred to as “Sellers”. Pursuant to a separate Real Estate Purchase and Sale Agreement, dated September 12, 2014, Sellers and Walton have agreed to sell/purchase Silver Peaks Filing No. 1 and 2. Related to this transaction and pursuant to this Escrow Fund Agreement, Sellers and Walton have agreed that one or more of the Sellers shall deposit \$400,000 into an escrow account and the District shall be authorized to withdraw from this account funds necessary to make its regularly scheduled debt payment on the District Bonds. CRS is further designated as escrow agent under this agreement and their obligations and responsibilities are detailed in this agreement.

Due to the uncertainty in the timing of the repayment of these bonds, no summary of annual long-term debt principal and interest requirements to maturity is shown.

The following is an analysis of changes in long-term debt for the period ending December 31, 2016:

	Balance 1/1/2016	Additions	Deletions	Balance 12/31/2016	Current Portion
General Limited Tax Bonds, Series 2006	\$4,858,000	\$ -	\$ 86,000	\$4,772,000	\$ 164,000
Developer Advance -operations	-	5,000	-	5,000	-
Developer Advances	2,659,860	-	-	2,659,860	-
Developer Advance- Accrued Interest	916,614	186,203	-	1,102,817	-
	<u>\$8,434,474</u>	<u>\$ 191,203</u>	<u>\$ 86,000</u>	<u>\$8,539,677</u>	<u>\$ 164,000</u>

SILVER PEAKS METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2016

Debt Authorization

As of December 31, 2016, the District had remaining voted debt authorization of approximately \$53,560,000. The District has not budgeted to issue any new debt during 2017. Per the District's Service Plan, the District can not issue debt in excess of \$27,000,000. The District was allocated an additional \$9,000,000 of debt authorization from District No. 1 as part of an intergovernmental agreement (see Note 8) and another additional \$7,090,000 of debt authorization from District No. 5 as part of the First Amendment to an intergovernmental agreement (see Note 8).

Note 5: Related Party

Two of the members of the Board of Directors of the District are employees of, consultants to, owners of, or associated with the Prior Developer and may have conflicts of interest in dealing with the District. The Prior Developer is the current holder of the Advance and Reimbursement Agreements (see Note 4).

Note 6: Tax, Spending and Debt Limitations

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer 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's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits will require judicial interpretation.

On November 7, 2000, a majority of the District's electors authorized the District to collect and spend or retain in a reserve all currently levied taxes and fees of the District without regard to any limitations under Article X, Section 20 of the Colorado Constitution.

SILVER PEAKS METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2016

Note 7: Economic Dependency

The District has not yet established a revenue base sufficient to pay the District's debt service requirements, and operational and capital expenditures. Until an independent revenue base is established, continuation of operations in the District will be dependent upon funding by the Developer to pay long-term debt obligations, operations, and capital requirements.

Note 8: Intergovernmental Agreements

Intergovernmental Agreement regarding Storm Drainage

On February 13, 2001, the District and SPMD Nos. 1 and 3-5 entered into an agreement with South Beebe Draw Metropolitan District (SBD) whereby the District shall impose and collect a storm drainage impact fee and a storm drainage maintenance fee to be remitted to SBD to fund construction and maintenance of certain storm drainage improvements necessary for the development of the Districts. On April 26, 2011, a First Amendment to the agreement was executed to include the Highlands Districts which are located within the Beebe Draw Basin, and bound the District to the same duties and obligations and allowed the same rights and privileges as the Silver Peaks Districts.

Interdistrict Regional Facilities Intergovernmental Agreement

On October 18, 2005, the District and SPMD No. 1 and 3-5 entered into an agreement with South Beebe Draw Metropolitan District, Bromley Park Metropolitan District Nos. 2-6, and Brighton Crossing Metropolitan District No. 4 whereby South Beebe Draw Metropolitan District will be responsible to construct and complete sewer line improvements for the districts upon the issuance of their 2005 bonds. The District agrees that until the 2005 Bonds issued by South Beebe Draw Metropolitan District are fully paid and defeased that the Sewer Line Connection Fees collected within the boundaries of the District shall be used only for payment of the debt service of the 2005 bonds pursuant to the terms of the Bond Resolution and the 2005 bonds shall have an irrevocable, first and exclusive lien upon the Sewer Line Connection Fees.

Intergovernmental Agreement Regarding Infrastructure Financing Between and Among Silver Peaks Metropolitan Districts Nos. 1-5

On December 12, 2006, the District entered into an agreement with Silver Peaks Metropolitan District Nos. 1 and 3-5. Per the agreement, District No. 1 will be responsible for the overall coordination of the construction, operations and maintenance of regional facilities and services. District No. 1 shall own and maintain the regional facilities, however they may dedicate or convey any interest in any regional facility to another governmental entity upon such reasonable terms and conditions as determined by District No. 1, so long as such dedication does not impair the use or benefit of such regional facilities to District Nos. 2-5. District Nos. 2-5 agree to impose system development fees, drainage fees, and sewer line connection fees against the property owners and service users within each of the respective boundaries. District Nos. 2-5 each shall be responsible for the construction, operation and maintenance of its local improvements.

SILVER PEAKS METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2016

District Nos. 2-5 shall own and maintain their respective local improvements, however the District may dedicate or convey any interest in any local improvements to another governmental entity upon such reasonable terms and conditions as determined by the District, so long as such dedication does not impair the use or benefit of such local improvements to the residents and taxpayers of the applicable District. The Districts agree that each of the District Nos. 2-4 shall be allocated \$9,000,000 of the debt authorization as their respective Debt Allocation.

On July 2, 2015, the Silver Peaks Metropolitan District Nos. 1-5 entered into the First Amendment to this Agreement pursuant to which Silver Peaks Metropolitan District No. 5 assigned its entire proportionate share of the debt allocation to Silver Peaks Metropolitan District Nos. 1-4. Further, the Silver Peaks Metropolitan District Nos. 1-5 agreed that the District would be allocated an additional \$7,090,000 of the debt authorization as its respective debt allocation, and that Silver Peaks Metropolitan District Nos. 1, 3, and 4 will determine between and amongst themselves how the remaining debt allocation will be split up between each of them. Pursuant to the Amendment, the District had, as of the date of the Amendment, unused debt allocation totaling \$8,650,000.

Intergovernmental Agreement to Designate Funds

On July 2, 2015, the District and District No. 5 entered into the Intergovernmental Agreement to Designate Funds, whereby it was agreed that District No. 5 will have the right, but not the obligation to pay down, defease and/or retire any portion of the Remaining Disbursements at any time through appropriate and available District No. 5 funds. Any Paid Disbursements will reduce the total amount of the Remaining Disbursement but will not alter the ratios or quotients of the New Bond Revenue described in the A&R Agreement.

Note 9: Infrastructure Support Fee

On February 10, 2011, the District agreed to impose an infrastructure fee on undeveloped lots within the District. An "Undeveloped Lot" is a lot located within the District's boundaries that has been approved by plat for a residential structure, but a structure has not yet been constructed and a certificate of occupancy has not been issued. The fees shall be due and payable on the first day of August 2011 and each August 1 thereafter, in the amount of \$200 per undeveloped lot until a certificate of occupancy has been issued. The Infrastructure Support Fee shall be waived on a dollar-for-dollar basis to the extent that the owner of such lot provides any developer advances to the District from August 2 of the year immediately preceding the imposition of the Infrastructure Support Fee to August 1 of the year the fee is imposed. The District's Board decided not to impose the fee in 2016.

SILVER PEAKS METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2016

Note 10: Risk Management

Except as provided in the Colorado Governmental Immunity Act, 24-10-101, et seq., CRS, the District may be exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors or omissions; injuries to agents; and natural disasters. The District has elected to participate in the Colorado Special Districts Property and Liability Pool (“Pool”) which is an organization created by intergovernmental agreement to provide common liability and casualty insurance coverage to its members at a cost that is considered economically appropriate. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for auto, public officials’ liability, and property and general liability coverage. In the event aggregated losses incurred by the Pool exceed its amounts recoverable from reinsurance contracts and its accumulated reserves, the District may be called upon to make additional contributions to the Pool on the basis proportionate to other 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: Reconciliation of Government-Wide Financial Statements and Fund Financial Statements

The Governmental Funds Balance Sheet/Statement of Net Position includes an adjustments column. The adjustments have the following elements:

- 1) capital improvements used in government activities are not financial resources and, therefore are not reported in the funds; and
- 2) long-term liabilities such as bonds payable and developer advances and accrued bond and developer advance interest payable are not due and payable in the current period and, therefore, are not in the funds.

The Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities includes an adjustments column. The adjustments have the following elements:

- 1) governmental funds report capital outlays as expenditures, however, in the statement of activities, the costs of those assets are held as construction in process pending transfer to other governmental entities or depreciated over their useful lives;
- 2) governmental funds report interest expense on the modified accrual basis; however, interest expense is reported on the full accrual method on the Statement of Activities;
- 3) governmental funds report developer advances and/or bond proceeds as revenue; and,
- 4) governmental funds report long-term debt payments as expenditures, however, in the statement of activities, the payment of long-term debt is recorded as a decrease of long-term liabilities.

SUPPLEMENTAL INFORMATION

SILVER PEAKS 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

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES				
Property taxes	\$ 279,608	\$ 281,229	\$ 282,060	\$ 831
Specific ownership taxes	22,300	15,000	16,263	1,263
IGA Transfer	-	73,271	64,500	(8,771)
Transfer from Escrow	-	95,000	89,442	(5,558)
Interest income	<u>100</u>	<u>75</u>	<u>320</u>	<u>245</u>
Total Revenues	<u>302,008</u>	<u>464,575</u>	<u>452,585</u>	<u>(11,990)</u>
EXPENDITURES				
Audit	2,050	2,050	-	2,050
Legal	-	8,771	-	8,771
Bond Principal	14,000	161,000	86,000	75,000
Bond interest expense	279,358	280,961	280,960	1
Paying agent fees	3,000	3,000	2,500	500
Treasurer's fees	<u>4,195</u>	<u>4,218</u>	<u>4,234</u>	<u>(16)</u>
Total Expenditures	<u>302,603</u>	<u>460,000</u>	<u>373,694</u>	<u>86,306</u>
NET CHANGE IN FUND BALANCE	(595)	4,575	78,891	74,316
FUND BALANCE:				
BEGINNING OF YEAR	<u>637</u>	<u>(1,268)</u>	<u>(1,268)</u>	<u>-</u>
END OF YEAR	<u>\$ 42</u>	<u>\$ 3,307</u>	<u>\$ 77,623</u>	<u>\$ 74,316</u>

SILVER PEAKS METROPOLITAN DISTRICT NO. 2

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

For the Year Ended December 31, 2016

	Original & Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES			
Interest income	\$ -	\$ 3	\$ 3
Total Revenues	-	3	3
EXPENDITURES			
Capital improvements	-	-	-
Total Expenditures	-	-	-
NET CHANGE IN FUND BALANCE	-	3	3
FUND BALANCE:			
BEGINNING OF YEAR	-	(1,914)	(1,914)
END OF YEAR	\$ -	\$ (1,911)	\$ (1,911)

SILVER PEAKS METROPOLITAN DISTRICT NO. 2

SUMMARY OF ASSESSED VALUATION, MILL LEVY AND PROPERTY TAXES COLLECTED

December 31, 2016

(Unaudited)

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied		Total Property Tax		Percent Collected to Levied
		General Fund	Debt Service	Levied	Collected	
2011	\$ 3,629,690	0.000	55.063	\$ 199,862	\$ 222,577	111.37%
2012	\$ 3,960,360	6.118	55.063	\$ 242,298	\$ 242,299	100.00%
2013	\$ 4,448,020	6.118	55.063	\$ 272,134	\$ 270,344	99.34%
2014	\$ 3,894,190	6.118	55.063	\$ 238,251	\$ 238,230	99.99%
2015	\$ 3,899,550	6.118	55.063	\$ 238,578	\$ 238,577	100.00%
2016	\$ 5,122,580	6.118	55.063	\$ 313,405	\$ 313,400	100.00%
Estimated for year ending December 31, 2017	\$ 5,329,550	6.118	55.063	\$ 326,067		

NOTE

Property taxes collected in any one year include collection of delinquent property taxes levied and/or abatements or valuations in prior years. Information received from the County Treasurer does not permit identification of specific year assessment.