

SOLA METROPOLITAN DISTRICT - COMMERCIAL
Boulder County, Colorado

FINANCIAL STATEMENTS
December 31, 2016



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Certified Public Accountants and Business Consultants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Sola Metropolitan District - Commercial
Boulder County, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of Sola Metropolitan District - Commercial (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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Sola Metropolitan District - Commercial, as of December 31, 2016, and the respective changes in financial position thereof, 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.

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Barnes Griggs & Associates, PC

Other Matters

Economic Dependency

The District has not yet established a revenue base sufficient to pay its operational expenditures. As discussed in Note 8, the District may be dependent upon the Developer of the District's service area to provide cash for such expenditures.

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, 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 District's basic financial statements. The supplementary information as listed in the table of contents is presented for purposed of legal compliance and additional analysis and is 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. The 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Darner Higgs & Associates, PC

Lakewood, Colorado
July 20, 2017

BASIC FINANCIAL STATEMENTS

**SOLA METROPOLITAN DISTRICT - COMMERCIAL
STATEMENT OF NET POSITION
December 31, 2016**

	<u>Governmental Activities</u>
ASSETS	
Cash and investments - Restricted	\$ 248,708
Receivable - County Treasurer	1,276
Prepaid expenses	2,013
Property taxes receivable	286,103
Capital assets	
Construction in progress	<u>7,994,037</u>
Total assets	<u>8,532,137</u>
LIABILITIES	
Accounts payable	53,560
Accrued interest payable	25,900
Noncurrent liabilities	
Due in less than one year	70,000
Due in more than one year	<u>15,228,710</u>
Total liabilities	<u>15,378,170</u>
DEFERRED INFLOWS OF RESOURCES	
Property tax revenue	<u>286,103</u>
Total deferred inflows of resources	<u>286,103</u>
NET POSITION	
Net investment in capital assets	(1,914,683)
Restricted for	
Emergencies	1,500
Debt service	82,555
Unrestricted	<u>(5,301,508)</u>
Total net position	<u><u>\$ (7,132,136)</u></u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**SOLA METROPOLITAN DISTRICT - COMMERCIAL
STATEMENT OF ACTIVITIES
Year Ended December 31, 2016**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Primary government:					
Government activities:					
General government	\$ 210,835	\$ -	\$ 5,555	\$ -	\$ (205,280)
Interest and related costs on long-term debt	<u>1,242,303</u>	<u>-</u>	<u>27,770</u>	<u>-</u>	<u>(1,214,533)</u>
	<u>\$ 1,453,138</u>	<u>\$ -</u>	<u>\$ 33,325</u>	<u>\$ -</u>	<u>(1,419,813)</u>
General revenues:					
Property taxes					241,903
Specific ownership taxes					12,322
Net investment income					<u>360</u>
Total general revenues					<u>254,585</u>
Change in net position					<u>(1,165,228)</u>
Net position - Beginning					<u>(5,966,908)</u>
Net position - Ending					<u>\$ (7,132,136)</u>

These financial statements should be read only in connection with the accompanying notes to financial statements.

**SOLA METROPOLITAN DISTRICT - COMMERCIAL
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2016**

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and investments - Restricted	\$ -	\$ 107,143	\$ 141,565	\$ 248,708
Prepaid expense	2,013	-	-	2,013
Receivable - County Treasurer	213	1,063	-	1,276
Due from other funds	-	249	791	1,040
Property taxes receivable	47,684	238,419	-	286,103
TOTAL ASSETS	<u>\$ 49,910</u>	<u>\$ 346,874</u>	<u>\$ 142,356</u>	<u>\$ 539,140</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)				
LIABILITIES				
Accounts payable	\$ 42,446	\$ -	\$ 11,114	\$ 53,560
Due to other funds	1,040	-	-	1,040
Total liabilities	<u>43,486</u>	<u>-</u>	<u>11,114</u>	<u>54,600</u>
DEFERRED INFLOWS OF RESOURCES				
Property tax revenue				
Total deferred inflows of resources	<u>47,684</u>	<u>238,419</u>	<u>-</u>	<u>286,103</u>
	<u>47,684</u>	<u>238,419</u>	<u>-</u>	<u>286,103</u>
FUND BALANCES (DEFICITS)				
Nonspendable for:				
Prepaid expense	2,013	-	-	2,013
Restricted for:				
Emergency reserves	1,500	-	-	1,500
Debt service	-	108,455	-	108,455
Assigned to:				
Capital projects	-	-	131,242	131,242
Unassigned	<u>(44,773)</u>	<u>-</u>	<u>-</u>	<u>(44,773)</u>
Total fund balances (deficits)	<u>(41,260)</u>	<u>108,455</u>	<u>131,242</u>	<u>198,437</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)	<u>\$ 49,910</u>	<u>\$ 346,874</u>	<u>\$ 142,356</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the funds.	
Construction in progress	7,994,037
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not recorded as liabilities in the funds.	
Bonds payable	(10,023,892)
Bond interest payable	(1,911,492)
Developer advance payable	(2,695,131)
Accrued interest on Developer advances	<u>(694,095)</u>
Net position of governmental activities	<u>\$ (7,132,136)</u>

These financial statements should be read only in connection with the accompanying notes to financial statements.

SOLA METROPOLITAN DISTRICT - COMMERCIAL
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS)
GOVERNMENTAL FUNDS
Year Ended December 31, 2016

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
REVENUES				
Property taxes	\$ 40,325	\$ 201,578	\$ -	\$ 241,903
Specific ownership taxes	2,054	10,268	-	12,322
Intergovernmental - SoLa Institutional	5,555	27,770	-	33,325
Investment income	51	275	34	360
Total revenues	<u>47,985</u>	<u>239,891</u>	<u>34</u>	<u>287,910</u>
EXPENDITURES				
Accounting	37,194	-	1,162	38,356
Audit	5,350	-	-	5,350
Banking fees	71	-	-	71
County Treasurer's fees	606	3,027	-	3,633
Directors' fees	3,800	-	-	3,800
District management	20,004	-	-	20,004
Dues and memberships	668	-	-	668
Election	94	-	-	94
Irrigation repairs	4,303	-	-	4,303
Insurance	5,262	-	-	5,262
Landscape maintenance	39,443	-	-	39,443
Legal	22,593	-	9,840	32,433
Miscellaneous	271	-	-	271
Repairs and maintenance	16,760	-	-	16,760
Snow removal	5,840	-	-	5,840
Utilities	37,574	-	-	37,574
Debt service				
Paying agent/trustee fees	-	3,000	-	3,000
Bond interest	-	310,800	-	310,800
Capital outlay	-	-	197,871	197,871
Total expenditures	<u>199,833</u>	<u>316,827</u>	<u>208,873</u>	<u>725,533</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(151,848)</u>	<u>(76,936)</u>	<u>(208,839)</u>	<u>(437,623)</u>
OTHER FINANCING SOURCES (USES)				
Developer advance	130,750	-	206,923	337,673
Total other financing sources (uses)	<u>130,750</u>	<u>-</u>	<u>206,923</u>	<u>337,673</u>
NET CHANGE IN FUND BALANCES	(21,098)	(76,936)	(1,916)	(99,950)
FUND BALANCES (DEFICITS) - BEGINNING OF YEAR	<u>(20,162)</u>	<u>185,391</u>	<u>133,158</u>	<u>298,387</u>
FUND BALANCES (DEFICITS) - END OF YEAR	<u>\$ (41,260)</u>	<u>\$ 108,455</u>	<u>\$ 131,242</u>	<u>\$ 198,437</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**SOLA METROPOLITAN DISTRICT - COMMERCIAL
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS) OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2016**

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

Net change in fund balances - Total governmental funds	\$ (99,950)
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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	197,871
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The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Current year Developer advance	(337,673)
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Accrued interest on bonds - Change in liability	(723,023)
Interest on Developer advance	<u>(202,453)</u>

Changes in net position of governmental activities	<u><u>\$ (1,165,228)</u></u>
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These financial statements should be read only in connection with
the accompanying notes to financial statements.

**SOLA METROPOLITAN DISTRICT - COMMERCIAL
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES (DEFICITS) - BUDGET AND ACTUAL
Year Ended December 31, 2016**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 40,317	\$ 40,325	\$ 40,325	\$ -
Specific ownership tax	2,420	2,020	2,054	34
Intergovernmental - SoLa Institutional	5,602	5,552	5,555	3
Investment income	20	60	51	(9)
Total revenues	<u>48,359</u>	<u>47,957</u>	<u>47,985</u>	<u>28</u>
EXPENDITURES				
Accounting	40,000	35,000	37,194	(2,194)
Audit	5,500	5,350	5,350	-
Banking fees	-	50	71	(21)
County Treasurer's fees	600	600	606	(6)
Directors' fees	-	3,500	3,800	(300)
District management	24,000	21,000	20,004	996
Dues and memberships	700	668	668	-
Election	2,000	100	94	6
Insurance	5,500	5,262	5,262	-
Landscape maintenance	35,000	39,000	39,443	(443)
Irrigation repairs	-	6,000	4,303	1,697
Legal	12,000	25,000	22,593	2,407
Miscellaneous	1,000	50	271	(221)
Repairs and maintenance	20,000	6,000	16,760	(10,760)
Snow removal	10,000	8,000	5,840	2,160
Utilities	30,000	38,000	37,574	426
Contingency	3,700	6,420	-	6,420
Total expenditures	<u>190,000</u>	<u>200,000</u>	<u>199,833</u>	<u>167</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES				
	<u>(141,641)</u>	<u>(152,043)</u>	<u>(151,848)</u>	<u>195</u>
OTHER FINANCING SOURCES (USES)				
Developer advance	142,000	175,000	130,750	(44,250)
Total other financing sources (uses)	<u>142,000</u>	<u>175,000</u>	<u>130,750</u>	<u>(44,250)</u>
NET CHANGE IN FUND BALANCES				
	359	22,957	(21,098)	(44,055)
FUND BALANCES (DEFICITS) - BEGINNING OF YEAR				
	<u>1,523</u>	<u>(20,162)</u>	<u>(20,162)</u>	<u>-</u>
FUND BALANCES (DEFICITS) - END OF YEAR				
	<u>\$ 1,882</u>	<u>\$ 2,795</u>	<u>\$ (41,260)</u>	<u>\$ (44,055)</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**SOLA METROPOLITAN DISTRICT - COMMERCIAL
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 1 - DEFINITION OF REPORTING ENTITY

SoLa Metropolitan District - Commercial (District), a quasi-municipal corporation and political subdivision of the State of Colorado, was organized on July 10, 2008, by order and decree of the Boulder County District Court, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District's service area is located entirely within the City of Lafayette, in Boulder County, Colorado. The District was organized in conjunction with SoLa Metropolitan District – Institutional District. The Districts collectively will undertake the financing and construction of the public improvements. The Districts operate under a Consolidated Service Plan approved by the City of Lafayette on April 1, 2008. The District shall have the power to provide the following types of services: finance, design, construction, acquisition, installation, and to the extent necessary, operation and maintenance of services and facilities for street improvements, safety protection, transportation, water, sanitation, and park and recreation services.

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Government-wide and Fund Financial Statements

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

The statement of net position reports all financial and capital resources of the District. The difference between the sum of assets and deferred outflows of resources and the sum of liabilities and deferred inflows of resources is reported as net position.

**SOLA METROPOLITAN DISTRICT - COMMERCIAL
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Depreciation is computed and recorded as an operating expense. Expenditures for property and equipment 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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes and specific ownership taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. The District determined that Developer advances are not considered as revenue susceptible to accrual. Expenditures, other than interest on long-term obligations are recorded when the liability is incurred or the long-term obligation is due.

The District reports the following major governmental funds:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of the governmental funds.

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

**SOLA METROPOLITAN DISTRICT - COMMERCIAL
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

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

The District amended its annual budget for the year ended December 31, 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 bank or investment 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.

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 Board of 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, at the taxpayer's election, or in equal installments 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 a deferred inflow of resources in the year they are levied and measurable. The deferred property tax revenues are recorded as revenue in the year they are available or collected.

Capital Assets

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

**SOLA METROPOLITAN DISTRICT - COMMERCIAL
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The costs of normal maintenance and repairs that do not add to the value of the asset 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.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has only one item that qualifies for reporting in this category. Accordingly, the item, property tax revenue, is deferred and recognized as an inflow of resources in the period that the amounts become available.

Equity

Net Position

For government-wide presentation purposes when both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

Fund Balance

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

- *Nonspendable fund balance* – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.
- *Restricted fund balance* – The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.

**SOLA METROPOLITAN DISTRICT - COMMERCIAL
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- *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.

Deficits

The General Fund reported a deficit of \$(41,260) as of December 31, 2016. The deficit is anticipated to be eliminated in 2017 through the receipt of taxes, intergovernmental revenue, and developer advances.

NOTE 3 - CASH AND INVESTMENTS

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

Statement of net position:

Cash and investments - Restricted	\$ 248,708
Total cash and investments	<u>\$ 248,708</u>

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

Deposits with financial institutions	\$ 10,063
Investments	<u>238,645</u>
Total cash and investments	<u>\$ 248,708</u>

**SOLA METROPOLITAN DISTRICT - COMMERCIAL
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

Deposits with Financial Institutions

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

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

At December 31, 2016, the District's cash deposits had a bank balance of \$44,930 and a carrying balance of \$10,063.

Investments

The District has adopted a formal investment policy which follows the state statutes regarding investments.

The District generally limits its concentration of investments to those noted with an asterisk (*) below, which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk or investment custodial risk disclosure requirements for investments that are in the possession of another party.

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

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

- . Obligations of the United States, certain U.S. government agency securities and securities of the World Bank
- . General obligation and revenue bonds of U.S. local government entities
- . Certain certificates of participation
- . Certain securities lending agreements
- . Bankers' acceptances of certain banks
- . Commercial paper
- . Written repurchase agreements and certain reverse repurchase agreements collateralized by certain authorized securities
- * Certain money market funds
- . Guaranteed investment contracts
- . Local government investment pools

**SOLA METROPOLITAN DISTRICT - COMMERCIAL
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

Fair Value Measurement and Application

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; and Level 3 inputs are significant unobservable inputs. Investments not measured at fair value and not categorized include governmental money market funds (PFM Funds Governmental Select series); money market funds (generally held by Bank Trust Departments in their role as paying agent or trustee); and CSAFE which record their investments at amortized cost.

As of December 31, 2016, the District had the following investments:

Investment	Maturity	Balance
Federated Treasury Obligations Fund	Weighted average less than 13 months	<u>\$ 238,645</u>

Federated Treasury Money Market Fund

During 2016, the debt service money that was included in the trust accounts at UMB Corporate Trust Services (UMB) was invested in the Federated Treasury Obligations Fund. This portfolio is a money market mutual fund which invests in U.S. Treasury obligations, which are fully guaranteed as to principal and interest by the United States, with maturities of 13 months or less and repurchase agreements collateralized by U.S. Treasury obligations. The Federated Treasury Obligations Fund 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:

	Balance at December 31, 2015	Increases	Decreases	Balance at December 31, 2016
Capital assets, not being depreciated:				
Construction in progress:				
Streets	\$ 4,402,925	\$ 151,483	\$ -	\$ 4,554,408
Sewer	1,172,204	40,330	-	1,212,534
Stormwater	117,741	63,654	-	181,395
Water	856,502	29,468	-	885,970
Parks and trails	640,551	22,038	-	662,589
Engineering/Project Administration	259,306	-	259,306	-
Landscaping	346,937	150,204	-	497,141
Total capital assets, not being depreciated	<u>\$ 7,796,166</u>	<u>\$ 457,177</u>	<u>\$ 259,306</u>	<u>\$ 7,994,037</u>

**SOLA METROPOLITAN DISTRICT - COMMERCIAL
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 5 - LONG-TERM OBLIGATIONS

The District's outstanding long-term obligations at December 31, 2016, were as follows:

	Balance at December 31, 2015	Additions	Reductions	Balance at December 31, 2016	Due Within One Year
Governmental Activities:					
Senior limited tax convertible capital appreciation revenue bonds					
Series 2012	\$ 3,885,000	\$ -	\$ -	\$ 3,885,000	\$ -
Subordinate convertible capital appreciation revenue bonds:					
Series 2009B	3,253,892	-	-	3,253,892	35,000
Series 2009C	2,885,000	-	-	2,885,000	35,000
Series 2009B interest	695,864	439,939	-	1,135,803	-
Series 2009C interest	466,705	283,084	-	749,789	-
Developer advances - Operating	662,022	130,750	-	792,772	-
Developer advances - Capital	1,695,436	206,923	-	1,902,359	-
Developer advance interest - Operating	125,155	57,507	-	182,662	-
Developer advance interest - Capital	366,487	144,946	-	511,433	-
	<u>\$ 14,035,561</u>	<u>\$ 1,263,149</u>	<u>\$ -</u>	<u>\$ 15,298,710</u>	<u>\$ 70,000</u>

The detail of the District's long-term obligations is as follows:

\$2,194,600 Subordinate Limited Property Tax Supported Convertible Capital Appreciation Revenue Bonds, Series 2009B, dated November 2, 2009, with an interest rate of 10.5%. From the date of issuance through December 15, 2013 (the Conversion Date), the bonds were capital appreciation bonds. During this period, the bonds paid no interest and accreted in value at an accretion rate of 10.612%. The original accreted value of the bonds was \$3,325,000. In 2011, \$71,108 was repaid on the bonds, and on the Conversion Date the bonds ceased to be capital appreciation bonds and had a value of \$3,253,892 that automatically converted to current interest bonds. As of December 15, 2013, the bonds were fully accreted. The bonds are subject to redemption prior to maturity, with the consent of the Consent Parties of 100% of the bonds, in integral multiples of \$1,000, in any order of maturity or partial maturities, on any date, upon payment of par plus accrued interest, without redemption premium. The bonds are subject to mandatory sinking fund redemption, in part, by lot, on December 15, 2017, and on each December 15 thereafter.

**SOLA METROPOLITAN DISTRICT - COMMERCIAL
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

\$2,098,174 Junior Lien Limited Tax Supported Convertible Capital Appreciation Revenue Bonds, Series 2009C, dated November 2, 2009, with an interest rate of 8.0%. From the date of issuance through December 15, 2013 (the Conversion Date), the bonds were capital appreciation bonds. During this period, the bonds paid no interest and accreted in value at an accretion rate of 8.037%. On the Conversion Date, the bonds ceased to be capital appreciation bonds and had a value of \$2,885,000 that automatically converted to current interest bonds. As of December 15, 2013, the bonds were fully accreted. The bonds are subject to redemption prior to maturity, with the consent of the Consent Parties of 100% of the bonds, in integral multiples of \$1,000, in any order of maturity or partial maturities, on any date, upon payment of par plus accrued interest, without redemption premium. The bonds are subject to mandatory sinking fund redemption, in part, by lot, on December 15, 2017, and on each December 15 thereafter.

The Series 2009B and Series 2009C Bonds are secured by and payable from the Pledged Revenue, consisting primarily of the following, net of collection costs: 1) the Required Mill Levy, 2) the portion of the Specific Ownership Tax which is collected as a result of the imposition of the Required Mill Levy, and 3) any other legally available monies which the District determines to be treated as Pledged Revenue. Required Mill Levy means an ad valorem mill levy imposed upon all taxable property of the District and the Institutional District each year in an amount sufficient to pay the principal and interest on the bonds as the same become due and payable, which shall not be less than 40 mills and not more than 50 mills. For collection year 2016, the District levied 50 mills.

Additionally, the 2009B and 2009C bonds are being issued on a basis fully subordinate to any senior bonds issued by the District. Pursuant to the Series 2009B and 2009C Bond Indentures, the District is permitted to issue up to \$8,000,000 in aggregate principal amount of senior bonds (not including refunding) without the consent of the Consent Parties for such bonds.

Series 2012A Senior Limited Property Tax Supported Convertible Capital Appreciation Revenue Bonds

On February 3, 2012, the District issued its Senior Limited Property Tax Supported Convertible Capital Appreciation Revenue Bonds, Series 2012, in the original principal amount of \$3,125,171 (Senior Bonds) for the purpose of paying capital costs of public improvements to be constructed by the District. The accreted value of the Series 2012 Bonds was \$3,885,000 upon conversion on December 1, 2014. During 2014, the bonds accreted \$263,018 in interest for an ending balance of \$3,885,000. As of December 1, 2014, the bonds were fully accreted. The Senior Bonds mature on December 1, 2041, and after conversion will accrue interest at a rate of 8.0% per annum. The Senior Bonds are subject to mandatory sinking fund redemption beginning on December 1, 2021. Revenues pledged to the Senior Bonds are revenues derived from: 1) the Senior Mill Levy of not less than 40 mills and not more than 50 mills imposed on taxable property of the District and the Institutional District, 2) specific ownership taxes remitted to the District as a result of the debt service mill levy and 3) any other legally available revenues the District, at its discretion, credits to pay the Senior Bonds.

**SOLA METROPOLITAN DISTRICT - COMMERCIAL
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

Currently, pledged revenue of the District is not sufficient to pay when due the debt service with respect to the Series 2009B and 2009C Bonds. For so long as the District levies the Maximum Required Mill Levy, the inability of the District to pay the debt service requirements with respect to the Bonds when they come due does not constitute an event of default. To the extent principal of any Bond is not paid when due, such principal will remain outstanding until paid, and to the extent interest on any Bond is not paid when due, such interest will compound annually on each interest payment date at the interest rate borne by such Bond. At December 31, 2016, the accrued unpaid interest on the Series 2009B is \$1,135,803 and the accrued unpaid interest on the Series 2009C bonds is \$749,789.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 70,000	\$ 883,259	\$ 953,259
2018	80,000	876,784	956,784
2019	85,000	869,384	954,384
2020	95,000	861,459	956,459
2021	125,000	852,609	977,609
2022-2026	1,090,000	4,035,545	5,125,545
2027-2031	1,850,000	3,429,220	5,279,220
2032-2036	3,060,000	2,420,420	5,480,420
2037-2041	3,568,892	738,618	4,307,510
	<u>\$ 10,023,892</u>	<u>\$ 14,967,298</u>	<u>\$ 24,991,190</u>

Debt Authorization

On May 6, 2008, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$119,000,000 for general obligation bonds at an interest rate not to exceed 10% per annum. As the 2009B and 2009C bonds were issued on the same date, as part of the same plan of finance, the two series have been treated as a single issue for federal tax law purposes and for the purpose of the District's electoral authorization. When viewed as a single issue, the combined yield (net effective interest rate) for the bonds is 9.1464%, and is therefore within the 10% maximum net effective interest rate set forth in the election questions.

On May 8, 2012, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$276,000,000 for general obligation bonds at an interest rate not to exceed 10% per annum.

**SOLA METROPOLITAN DISTRICT - COMMERCIAL
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

As of December 31, 2016, the District had authorized but unissued general obligation indebtedness in the following amounts allocated for the following purposes:

Purpose	Amount Authorized 5/6/2008	Amount Authorized 5/8/2012	Total Authorized
Streets	\$ 17,000,000	\$ 23,000,000	\$ 40,000,000
Water	17,000,000	23,000,000	40,000,000
Sanitation	17,000,000	23,000,000	40,000,000
Safety protection	17,000,000	23,000,000	40,000,000
Public transportation	17,000,000	23,000,000	40,000,000
Debt refunding	17,000,000	46,000,000	63,000,000
Intergovernmental contracts	17,000,000	23,000,000	40,000,000
Parks and recreation	-	23,000,000	23,000,000
Mosquito control	-	23,000,000	23,000,000
Fire protection	-	23,000,000	23,000,000
Television relay/translation	-	23,000,000	23,000,000
Total	<u>\$ 119,000,000</u>	<u>\$ 276,000,000</u>	<u>\$ 395,000,000</u>

Purpose	Total Authorized	Amount Used Series 2009B	Amount Used Series 2009C	Amount Used Series 2012	Remaining Authorization 12/31/2016
Streets	\$ 40,000,000	\$ 2,017,715	\$ 439,987	\$ 2,809,530	\$ 34,732,768
Water	40,000,000	71,325	579,096	290,641	39,058,938
Sanitation	40,000,000	105,560	1,079,091	25,000	38,790,349
Safety protection	40,000,000	-	-	-	40,000,000
Public transportation	40,000,000	-	-	-	40,000,000
Debt refunding	63,000,000	-	-	-	63,000,000
Intergovernmental contracts	40,000,000	-	-	-	40,000,000
Parks and recreation	23,000,000	-	-	-	23,000,000
Mosquito control	23,000,000	-	-	-	23,000,000
Fire protection	23,000,000	-	-	-	23,000,000
Television relay/translation	23,000,000	-	-	-	23,000,000
Total	<u>\$ 395,000,000</u>	<u>\$ 2,194,600</u>	<u>\$ 2,098,174</u>	<u>\$ 3,125,171</u>	<u>\$ 387,582,055</u>

**SOLA METROPOLITAN DISTRICT - COMMERCIAL
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

Pursuant to the Consolidated Service Plan, the District, as well as SoLa Metropolitan District - Institutional, shall not issue debt in excess of \$23,000,000 total aggregate principal amount. The District's maximum mill levy per the Service Plan is 50 mills for debt service for as long as the aggregate debt attributable to the District exceeds 50% of the District's assessed valuation, as adjusted for changes in the ratio of actual value to assessed of property within the District. Additionally, the District's maximum operations mill levy is 20 mills, but the maximum operations mill levy shall be reduced if the District's debt mill levy exceeds 40 mills so that the total of the debt and operations mill levy is limited to 60 mills.

Developer Advance

The District has entered into Reimbursement Agreements with the Developer as follows:

Facilities Funding and Reimbursement Agreement

On December 20, 2011, the District and SoLa, Inc. (the Developer) entered into the Facilities Funding and Reimbursement Agreement 2011 – 2014, as amended on November 11, 2014, to extend the term of the Agreement through December 31, 2018, pursuant to which the District agrees to reimburse the Developer for advances made to or on behalf of the District plus interest of 8% compounding annually for costs related to the construction of public improvements and organizational costs of the District and the Institutional District subject to limitations set forth in the Service Plan. As of December 31, 2016, outstanding advances under the agreement totaled \$1,902,359 and accrued interest totaled \$511,433.

Operations Funding Agreement

On December 20, 2011, the District and the Developer entered into the 2012 – 2018 Operation Funding Agreement pursuant to which the District agrees to reimburse the Developer for advances made to or on behalf of the District for operations, maintenance and administrative expenses of the District, including advances made prior to 2012 plus 8% interest per annum until paid. As of December 31, 2016, outstanding advances under the agreement totaled \$792,772 and accrued interest totaled \$182,662.

**SOLA METROPOLITAN DISTRICT - COMMERCIAL
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 6 - NET POSITION

The District has net position consisting of three components – 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. As of December 31, 2016, the District had net investment in capital assets calculated as follows:

	Governmental Activities
Net investment in capital assets	
Capital assets, net	\$ 3,037,734
Current portion of outstanding long-term obligations	(27,299)
Noncurrent portion of outstanding long-term obligations	(5,066,683)
Unspent bond proceeds/developer advances	141,565
Net investment in capital assets	\$ (1,914,683)

The restricted component of net position consists of assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. As of December 31, 2016, the District had restricted net position of \$1,500 for emergencies and \$82,555 for debt service.

The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

The District has a deficit in unrestricted net position. The deficit is a result of the District being responsible for the repayment of bonds issued for public improvements which were conveyed to other governmental entities and which costs were removed from the District’s financial records.

NOTE 7 - RELATED PARTY

The Developer of the property which constitutes the District is SoLa, Inc. Some members of the Board of Directors are employees of, owners of, or otherwise associated with the Developer and may have conflicts of interest in dealing with the District.

NOTE 8 - ECONOMIC DEPENDENCY

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

**SOLA METROPOLITAN DISTRICT - COMMERCIAL
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 9 - RISK MANAGEMENT

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

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

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

NOTE 10 - TAX, SPENDING AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue and debt limitations which apply to the State of Colorado and all local governments.

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

On May 6, 2008, District voters passed an election question to initially increase property taxes by \$35,000 annually for the first full fiscal year and then by the additional amounts that are raised annually thereafter by the imposition of an ad valorem property tax levy of 20 mills to pay the District's operational and maintenance costs, without regard to any limitation under TABOR. Additionally, on May 8, 2012, District voters passed an election question to increase property taxes annually by up to \$23,000,000 without regard to any limitations under TABOR or Section 29-1-301, Colorado Revised Statutes with no mill levy limitation. However, the District's Consolidated Service Plan limits the District's operations mill levy to 20.000 mills.

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. At December 31, 2016, the District has not fully funded the Emergency Reserve.

With the exception of the funding for the Emergency Reserve, 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.

**SOLA METROPOLITAN DISTRICT - COMMERCIAL
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 11 - INTERGOVERNMENTAL AGREEMENT

Facilities Funding, Construction and Operations Agreement

On December 20, 2011, the District and SoLa Metropolitan District - Institutional (the Institutional District) entered into the SoLa Metropolitan District - Commercial and SoLa Metropolitan District - Institutional Facilities Funding, Construction and Operations Agreement establishing certain expectations as to the financing, construction, operation and maintenance of improvements as contemplated in the Service Plan of the Districts for the purpose of providing, in a timely and coordinated fashion, essential services within the Districts. Pursuant to this agreement, the District is designated as the Management District and agrees to provide: 1) project administration services (generally comprised of contracting for and supervising the acquisition, construction, operation and maintenance of public improvements), and 2) district administration services (including, but not limited to, serving as the depository for district records, coordinating board meetings, filing notices, preparing financial reports and budgets, and coordinating legal, accounting, management, engineering and other professional services) for both Districts. Pursuant to this agreement, the Institutional District agrees to impose a mill levy to pay its share of the costs of such services, at a rate determined annually in accordance with the procedures set forth in the agreement, and to remit the revenues therefrom to the District.

Senior Capital Pledge Agreement

On January 1, 2012, the District and the Institutional District entered into the Senior Capital Pledge Agreement pursuant to which each District pledged to impose the Senior Mill Levy for payment of its share of debt service on the Senior Bonds.

SoLa Subdivision Agreement

The District has provided its consent to the Agreement: SoLa Subdivision/SoLa Subdivision SID dated January 21, 2012, by and between the City of Lafayette, Colorado and the Developer, which anticipates that the District will issue bonds to pay for completion of certain specified public improvements required under this agreement and sets forth a schedule for financing and completion of the same. On April 12, 2012, the District funded a City Escrow account in the amount of \$1,414,106 to pay for improvements required under this agreement. In 2014, the Developers contributed an additional \$54,505. As of December 31, 2016, the District has incurred expenditures in the amount of \$1,336,625 under this agreement. At December 31, 2016, the balance in this account was \$132,209, which includes \$223 of interest earnings.

**SOLA METROPOLITAN DISTRICT - COMMERCIAL
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 12 – DEVELOPMENT AGREEMENTS

Development Agreement – MS Lafayette Colorado, LLC

The District and the Developer entered into a Development Agreement with MS Lafayette Colorado, LLC (Mainstreet) on August 19, 2013, establishing that the District shall construct District improvements dependent upon Mainstreet's construction schedule. The completion of the District improvements shall be deemed to have occurred when the District Engineer confirms the improvements are complete, the improvements have been granted preliminary acceptance by the City, and Mainstreet has inspected and agreed that the improvements have been completed according to the plans and specifications. The District is required to establish an escrow account in the amount equal to 120% of the estimated improvement costs. Further, the Agreement establishes that the Developer shall relocate the gas line within the property in accordance with plans and specifications approved by Mainstreet. The District deposited \$226,590 to the escrow account held with Land Title Guarantee Company. In the event that the improvements exceed the budget, the Developer will fund any additional costs. At December 31, 2016, the balance in this account was \$-0-.

Development Agreement – Murphy Oil USA, Inc.

The District and the Developer entered into a Development Agreement with Murphy Oil USA, Inc. (Murphy) on December 16, 2013, establishing that the District shall construct District improvements dependent upon the construction schedule. The completion of the District improvements shall be deemed to have occurred when the District Engineer confirms the improvements are complete and Murphy has inspected and agreed that the improvements have been completed according to the plans and specifications. The District is required to establish an escrow account in the amount equal to 120% of the estimated improvements costs. The District deposited \$245,426 to the escrow account held with Land Title Guarantee Company. In the event that the improvements exceed the budget, the Developer will fund any additional costs. Once the improvements are complete, the District will be refunded any excess amounts. At December 31, 2016, the balance in this account was \$67.

Development Agreement – Murphy Public Improvements

The District and the City of Lafayette (City) entered into a Development Agreement with Murphy Oil USA, Inc. (Murphy) on December 16, 2013, establishing that the District shall construct certain city public improvements that must be completed prior to the City's willingness to grant a certificate of occupancy for any buildings constructed on Lot 2C, Filing 1 (the Property). In connection with this agreement, the District is required to establish an escrow account in the amount equal to 125% of the estimated improvements costs. The District deposited \$150,841 to the escrow account held with Land Title Guarantee Company. If and when the City initially accepts any of the Murphy Public Improvements, the City shall have the Escrow Agent transfer to the District any remaining funds in the escrow account, less the minimum warranty amount, which is 10% of the estimated costs of the improvements. There is a three year warranty period on the improvements, and once expired, the balance of any remaining funds in the escrow account will be returned to the District. At December 31, 2016, the balance in this account was \$6,867.

**SOLA METROPOLITAN DISTRICT - COMMERCIAL
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 12 – DEVELOPMENT AGREEMENTS (CONTINUED)

Development Agreement – Lot 1C

The District and the Developer entered into a Development Agreement with the City of Lafayette (City) on September 17, 2014, establishing that the District shall construct certain city public improvements that must be completed prior to the City's willingness to grant a certificate of occupancy for any buildings constructed on Lot 1C, Filing 1 (the Property). In connection with this agreement, the District is required to establish an escrow account in the amount equal to 125% of the estimated improvements costs. The District deposited \$327,765 to the escrow account held with Land Title Guarantee Company. If and when the City initially accepts the Lot 1C Improvements, the City shall have the Escrow Agent transfer to the District any remaining funds in the escrow account. At December 31, 2016, the District had incurred expenditures of \$325,096 under this agreement. At December 31, 2016, the balance in this account was \$2,793, which includes \$124 of interest earnings.

Development Agreement – Lot 7C

The District and the Developer entered into a Development Agreement with the City of Lafayette (City) on June 3, 2016, establishing that the District shall construct certain city public improvements that must be completed prior to the City's willingness to grant a certificate of occupancy for any buildings constructed on Lot 7C, Filing 1 (the Property). In connection with this agreement, the District is required to establish an escrow account in an amount sufficient to fund the estimated improvement costs. The District deposited \$63,093 to the escrow account held with Land Title Guarantee Company. If and when the City initially accepts the Lot 7C Improvements, the City shall have the Escrow Agent transfer to the District any remaining funds in the escrow account. At December 31, 2016, the District had incurred expenditures of \$56,530 under this agreement. At December 31, 2016, the balance in this account was \$6,563.

SUPPLEMENTARY INFORMATION

**SOLA METROPOLITAN DISTRICT - COMMERCIAL
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2016**

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Property taxes	\$ 201,586	\$ 201,578	\$ (8)
Specific ownership tax	12,100	10,268	(1,832)
Intergovernmental - SoLa Institutional	28,018	27,770	(248)
Investment income	200	275	75
Total revenues	<u>241,904</u>	<u>239,891</u>	<u>(2,013)</u>
EXPENDITURES			
County Treasurer's fees	3,020	3,027	(7)
Contingency	1,180	-	1,180
Bond interest	310,800	310,800	-
Paying agent/trustee fees	3,000	3,000	-
Total expenditures	<u>318,000</u>	<u>316,827</u>	<u>1,173</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(76,096)	(76,936)	(840)
FUND BALANCES - BEGINNING OF YEAR	<u>178,728</u>	<u>185,391</u>	<u>6,663</u>
FUND BALANCES - END OF YEAR	<u>\$ 102,632</u>	<u>\$ 108,455</u>	<u>\$ 5,823</u>

**SOLA METROPOLITAN DISTRICT - COMMERCIAL
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2016**

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Investment income	\$ 110	\$ 34	\$ (76)
Total revenues	<u>110</u>	<u>34</u>	<u>(76)</u>
EXPENDITURES			
Accounting	-	1,162	(1,162)
Legal	-	9,840	(9,840)
Bond issue costs	100,000	-	100,000
Engineering	-	40,980	(40,980)
Repay developer advance	1,750,000	-	1,750,000
Service plan amendment	35,000	-	35,000
Project administration	13,500	40,198	(26,698)
SLD - Balmstone to Viridian	185,000	-	185,000
Water/storm/sanitary sewer extension	63,000	-	63,000
Storm sewer	-	35,150	(35,150)
Landscaping	-	60,537	(60,537)
Other capital outlay	-	21,006	(21,006)
Contingency	5,140	-	5,140
Total expenditures	<u>2,151,640</u>	<u>208,873</u>	<u>1,942,767</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2,151,530)</u>	<u>(208,839)</u>	<u>1,942,691</u>
OTHER FINANCING SOURCES (USES)			
Developer advance	25,000	206,923	181,923
Bond issuance	2,000,000	-	(2,000,000)
Total other financing sources (uses)	<u>2,025,000</u>	<u>206,923</u>	<u>(1,818,077)</u>
NET CHANGE IN FUND BALANCES	(126,530)	(1,916)	124,614
FUND BALANCES - BEGINNING OF YEAR	<u>126,530</u>	<u>133,158</u>	<u>6,628</u>
FUND BALANCES - END OF YEAR	<u>\$ -</u>	<u>\$ 131,242</u>	<u>\$ 131,242</u>

SOLA METROPOLITAN DISTRICT - COMMERCIAL
SCHEDULE OF DEBT SERVICE CASH REQUIREMENTS TO MATURITY
December 31, 2016

<u>December 31,</u>	\$3,125,171 Series 2012		\$2,194,600 Series 2009B	
	Senior Limited Property Tax Supported Convertible Capital Appreciation Revenue Bonds Conversion Date 12/1/2014 Principal at Conversion \$3,885,000 Interest Rate 8.0% Interest and Principal Payable December 1		Subordinate Convertible Capital Appreciation Revenue Bonds Conversion Date 12/15/2013 Principal at Conversion \$3,325,000 Interest Rate 10.5% Interest and Principal Payable December 15	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ -	\$ 310,800	\$ 35,000	\$ 341,659
2018	-	310,800	40,000	337,984
2019	-	310,800	45,000	333,784
2020	-	310,800	50,000	329,059
2021	20,000	310,800	55,000	323,809
2022	45,000	309,200	60,000	318,034
2023	65,000	305,600	65,000	311,734
2024	75,000	300,400	75,000	304,909
2025	85,000	294,400	80,000	297,034
2026	95,000	287,600	90,000	288,634
2027	105,000	280,000	100,000	279,184
2028	120,000	271,600	110,000	268,684
2029	130,000	262,000	120,000	257,134
2030	150,000	251,600	130,000	244,534
2031	160,000	239,600	145,000	230,884
2032	180,000	226,800	165,000	215,659
2033	195,000	212,400	185,000	198,334
2034	220,000	196,800	200,000	178,909
2035	240,000	179,200	220,000	157,909
2036	265,000	160,000	245,000	134,809
2037	285,000	138,800	270,000	109,084
2038	315,000	116,000	768,892	80,734
2039	345,000	90,800	-	-
2040	380,000	63,200	-	-
2041	410,000	32,800	-	-
	<u>\$ 3,885,000</u>	<u>\$ 5,772,800</u>	<u>\$ 3,253,892</u>	<u>\$ 5,542,498</u>

**\$2,098,174 Series 2009C
Subordinate Convertible
Capital Appreciation
Revenue Bonds
Conversion Date 12/15/2013
Principal at Conversion \$2,885,000
Interest Rate 8.0%
Interest and Principal
Payable December 15**

		Total		
<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
\$ 35,000	\$ 230,800	\$ 70,000	\$ 883,259	\$ 953,259
40,000	228,000	80,000	876,784	956,784
40,000	224,800	85,000	869,384	954,384
45,000	221,600	95,000	861,459	956,459
50,000	218,000	125,000	852,609	977,609
60,000	214,000	165,000	841,234	1,006,234
65,000	209,200	195,000	826,534	1,021,534
70,000	204,000	220,000	809,309	1,029,309
75,000	198,400	240,000	789,834	1,029,834
85,000	192,400	270,000	768,634	1,038,634
95,000	185,600	300,000	744,784	1,044,784
105,000	178,000	335,000	718,284	1,053,284
115,000	169,600	365,000	688,734	1,053,734
125,000	160,400	405,000	656,534	1,061,534
140,000	150,400	445,000	620,884	1,065,884
155,000	139,200	500,000	581,659	1,081,659
170,000	126,800	550,000	537,534	1,087,534
185,000	113,200	605,000	488,909	1,093,909
205,000	98,400	665,000	435,509	1,100,509
230,000	82,000	740,000	376,809	1,116,809
250,000	63,600	805,000	311,484	1,116,484
545,000	43,600	1,628,892	240,334	1,869,226
-	-	345,000	90,800	435,800
-	-	380,000	63,200	443,200
-	-	410,000	32,800	442,800
\$ 2,885,000	\$ 3,652,000	\$ 10,023,892	\$ 14,967,298	\$ 24,991,190

**SOLA METROPOLITAN DISTRICT - COMMERCIAL
SUMMARY OF ASSESSED VALUATION, MILL LEVY
AND PROPERTY TAXES COLLECTED
December 31, 2016**

<u>Year Ended December 31,</u>	<u>Prior Year Assessed Valuation for Current Year Property Tax Levy</u>	<u>Total Mills Levied</u>		<u>Total Property Taxes</u>		<u>Percent Collected to Levied</u>
		<u>General Operations</u>	<u>Debt Service</u>	<u>Levied</u>	<u>Collected</u>	
2012	\$ 1,476,635	10.000	50.000	\$ 88,598	\$ 88,585	99.99%
2013	\$ 1,478,723	10.000	50.000	\$ 88,723	\$ 88,723	100.00%
2014	\$ 1,897,206	10.000	50.000	\$ 113,832	\$ 113,832	100.00%
2015	\$ 2,865,434	10.000	50.000	\$ 171,925	\$ 171,926	100.00%
2016	\$ 4,031,725	10.000	50.000	\$ 241,903	\$ 241,903	100.00%
Estimated for year ending December 31, 2017	\$ 4,768,386	10.000	50.000	\$ 286,103		

NOTE:

Property taxes collected in any one year include collection of delinquent property taxes assessed in prior years, as well as reductions for property tax refunds or abatements. Information received from the County Treasurer doesn't permit identification of specific year of assessment.