

BOYD PONDS METROPOLITAN DISTRICT NO. 2

Financial Statements

Year Ended December 31, 2017

with

Independent Auditors' Report

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Office of the State Auditor

July 10, 2018

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Board of Directors
Boyd Ponds Metropolitan District No. 2
Jefferson 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 Boyd Ponds Metropolitan District No. 2 (the "District") as of and for the year ended December 31, 2017, 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 Boyd Ponds Metropolitan District No. 2 as of December 31, 2017, and the respective changes in 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 supplemental 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 supplemental 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

July 9, 2018

Boyd Ponds Metropolitan District No. 2

BALANCE SHEET/STATEMENT OF NET POSITION GOVERNMENTAL FUNDS December 31, 2017

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS					
Cash and investments	\$ 2,332	\$ -	\$ 2,332	\$ -	\$ 2,332
Cash and investments - restricted	961	35,546	36,507	-	36,507
Receivable - County Treasurer	201	1,605	1,806	-	1,806
Property taxes receivable	27,770	245,609	273,379	-	273,379
Accounts receivable - developer	9,319	-	9,319	-	9,319
Prepaid expenses	3,231	-	3,231	-	3,231
Total Assets	<u>\$ 43,814</u>	<u>\$ 282,760</u>	<u>\$ 326,574</u>	<u>-</u>	<u>326,574</u>
LIABILITIES					
Accounts payable	\$ 10,939	\$ 5,392	\$ 16,331	-	16,331
Accrued interest on loan	-	-	-	769	769
Long-term liabilities:					
Due within one year	-	-	-	100,000	100,000
Due in more than one year	-	-	-	2,915,000	2,915,000
Total Liabilities	<u>10,939</u>	<u>5,392</u>	<u>16,331</u>	<u>3,015,769</u>	<u>3,032,100</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred property taxes	27,770	245,609	273,379	-	273,379
Total Deferred Inflows of Resources	<u>27,770</u>	<u>245,609</u>	<u>273,379</u>	<u>-</u>	<u>273,379</u>
FUND BALANCES/NET POSITION					
Fund Balances:					
Nonspendable:					
Prepays	3,231	-	3,231	(3,231)	-
Restricted:					
Emergencies	961	-	961	(961)	-
Debt service	-	31,759	31,759	(31,759)	-
Unassigned	913	-	913	(913)	-
Total Fund Balances	<u>5,105</u>	<u>31,759</u>	<u>36,864</u>	<u>(36,864)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 43,814</u>	<u>\$ 282,760</u>	<u>\$ 326,574</u>		
Net Position:					
Restricted for:					
Emergencies				961	961
Debt service				30,990	30,990
Unrestricted				(3,010,856)	(3,010,856)
Total Net Position				<u>\$ (2,978,905)</u>	<u>\$ (2,978,905)</u>

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

Boyd Ponds Metropolitan District No. 2

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

For the Year Ended December 31, 2017

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
EXPENDITURES					
Accounting and audit	\$ 8,275	\$ -	\$ 8,275	\$ -	\$ 8,275
Insurance	3,288	-	3,288	-	3,288
Legal	19,889	-	19,889	-	19,889
Engineering	10,216	-	10,216	-	10,216
Miscellaneous expenses	100	-	100	-	100
Treasurer's fees	408	3,268	3,676	-	3,676
Bond principal	-	3,170,000	3,170,000	(3,170,000)	-
Bond interest expense	-	204,375	204,375	(15,081)	189,294
Bond issuance costs	-	119,242	119,242	-	119,242
Paying agent fees	-	2,500	2,500	-	2,500
Total Expenditures	42,176	3,499,385	3,541,561	(3,185,081)	356,480
GENERAL REVENUES					
Property taxes	27,215	217,723	244,938	-	244,938
Specific ownership taxes	2,659	21,271	23,930	-	23,930
Interest income	2,588	1,366	3,954	-	3,954
Total General Revenues	32,462	240,360	272,822	-	272,822
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(9,714)	(3,259,025)	(3,268,739)	3,185,081	(83,658)
OTHER FINANCING SOURCES (USES)					
Loan proceeds	-	3,015,000	3,015,000	(3,015,000)	-
Total Other Financing Sources (Uses)	-	3,015,000	3,015,000	(3,015,000)	-
NET CHANGES IN FUND BALANCES	(9,714)	(244,025)	(253,739)	253,739	
CHANGE IN NET POSITION				(83,658)	(83,658)
FUND BALANCES/NET POSITION:					
BEGINNING OF YEAR	14,819	275,784	290,603	(3,185,850)	(2,895,247)
END OF YEAR	\$ 5,105	\$ 31,759	\$ 36,864	\$ (3,015,769)	\$ (2,978,905)

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

Boyd Ponds Metropolitan District No. 2

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

For the Year Ended December 31, 2017

	Original & Final		Variance
	Budget	Actual	Favorable (Unfavorable)
REVENUES			
Property taxes	\$ 27,215	\$ 27,215	\$ -
Specific ownership taxes	1,905	2,659	754
Interest income	-	2,588	2,588
Total Revenues	29,120	32,462	3,342
EXPENDITURES			
Accounting and audit	8,000	8,275	(275)
Insurance	3,000	3,288	(288)
Legal	14,000	19,889	(5,889)
Engineering	-	10,216	(10,216)
Miscellaneous expenses	100	100	-
Treasurer's fees	408	408	-
Contingency	17,710	-	17,710
Emergency reserve	765	-	765
Total Expenditures	43,983	42,176	1,807
NET CHANGE IN FUND BALANCE	(14,863)	(9,714)	5,149
FUND BALANCE:			
BEGINNING OF YEAR	14,863	14,819	(44)
END OF YEAR	\$ -	\$ 5,105	\$ 5,105

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

BOYD PONDS METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements
December 31, 2017

Note 1: Summary of Significant Accounting Policies

The accounting policies of the Boyd Ponds Metropolitan District No. 2, located in Jefferson County, Colorado, conform to the accounting principles generally accepted in the United States of America (“GAAP”) as applicable to governmental units. 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 June 28, 2010 as a quasi-municipal organization established under the State of Colorado Special District Act. The District was established to finance and construct certain public infrastructure improvements that benefit the citizens of the District. The District's primary revenues are property taxes. The District is governed by an elected Board of Directors.

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.

BOYD PONDS METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2017

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.

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.

BOYD PONDS METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2017

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.

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.

Assets, Liabilities 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, 2017, 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.

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.

BOYD PONDS METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2017

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 in this category.

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 qualify 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 acquisition 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.

The District has conveyed all of the capital improvements of the District to other governmental entities except for certain tracts of real property constituting public improvements including but not limited to streets, streetscaping, monumentation, signage, lighting landscape, irrigation systems, sidewalks, open space and park and recreation improvements and facilities located within the District. Administration, management and maintenance of the improvements was transferred to the Association within the District, and a non-exclusive easement has been granted to the Association for that purpose. As a result, the capital improvements owned by the District have been removed from the District's assets.

BOYD PONDS METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2017

Property Taxes

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or if in equal installments, at the 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.

Developer Advances

Developer advances are not considered liabilities until the funds are actually received by the District.

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.

The nonspendable fund balance in the General Fund in the amount of \$3,231 represents prepaid insurance.

BOYD PONDS METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2017

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 \$961 of the General Fund balance has been restricted in compliance with this requirement.

The restricted fund balance in the Debt Service Fund in the amount of \$31,759 is restricted for the payment of the debt service costs associated with Series 2017 Loan (see Note 3).

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 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.

BOYD PONDS METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements
December 31, 2017

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.

Note 2: Cash and Investments

As of December 31, 2017, cash and investments are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and investments	\$ 2,332
Cash and investments - Restricted	<u>36,507</u>
Total	<u>\$ 38,839</u>

Cash and investments as of December 31, 2017 consist of the following:

Deposits with financial institutions	\$ 24,696
Investments - COLOTRUST	14,010
Investments - CSAFE	<u>133</u>
	<u>\$ 38,839</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.

BOYD PONDS METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2017

Investments

Investment Valuation

Certain investments are measured at fair value 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. The District's investments are not required to be categorized within the fair value hierarchy. One of the District's investment's value is calculated using the net asset value method per share and one is calculated using the amortized cost method.

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.

As of December 31, 2017, the District had the following investments:

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. 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. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. 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, 2017, the District had \$14,010 invested in COLOTRUST.

BOYD PONDS METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2017

CSAFE

The local government investment pool Colorado Surplus Asset Fund Trust (“CSAFE”), is rated AAAM by Standard and Poor’s with a weighted average maturity of under 60 days. CSAFE records its investments at amortized cost and the District records its investments in CSAFE using the amortized cost method. 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, 2017, the District had \$133 invested in CSAFE.

Note 3: Long Term Debt

The following is an analysis of changes in long-term debt for the period ending December 31, 2017:

	Balance 1/1/2017	Additions	Deletions	Balance 12/31/2017	Current Portion
Series 2014 Bonds	\$3,170,000	\$ -	\$3,170,000	\$ -	\$ -
Series 2017 Loan	-	3,015,000	-	3,015,000	100,000
Total	\$3,170,000	\$3,015,000	\$3,170,000	\$3,015,000	\$ 100,000

A description of the long-term obligations as of December 31, 2017, is as follows:

Amended and Restated Facilities Acquisition Agreement

On February 19, 2014, the District and the Developer, entered into an Amended and Restated Facilities Acquisition Agreement (the “Acquisition Agreement”) with Enclave at Boyd Ponds, LLC (the “Developer”) to fund certain construction costs within the District. Pursuant to the Agreement, the Developer agreed to design and construct public infrastructure and the District agree to acquire the public infrastructure after preliminary acceptance of the accepting jurisdiction and upon review and approval by the District’s engineer together with interest at eight percent (8%) per annum from the date of organization. Upon issuance of the Series 2014 Bonds, the District, reimbursed the Developer for capital costs associated with the District with the net proceeds from the issuance. This reimbursement is in full satisfaction of the District’s reimbursement obligations for capital costs under the Acquisition Agreement and executed a complete release with respect to the District’s reimbursement obligations under the Agreement and further acknowledged that the District will have no further reimbursement obligations to the Developer. (see below). On August 8, 2017, the Acquisition Agreement was terminated by the Termination of Amended and Restated Facilities Acquisition Agreement.

BOYD PONDS METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2017

Release, Satisfaction, and Partial Termination Agreement

On June 13, 2014, the District entered into a Release, Satisfaction, and Partial Termination Agreement with the Developer, whereby the District and Developer agreed that upon receipt of the net bond proceeds from the Series 2014 Bonds, the District's reimbursement obligation would be released, forgiven and discharged by the Developer. As a result of such release and satisfaction, the reimbursement provisions of the Acquisition Agreement (Sections 1, 4, and 6) were terminated and of no further force of effect as of June 13, 2014. All other terms of the Acquisition Agreement remained in full force and effect until all improvements were completed, accepted by, and conveyed to the appropriate accepting jurisdiction, including the District. On August 8, 2017, the Acquisition Agreement was fully terminated by the certain Termination of Amended and Restated Facilities Acquisition Agreement.

Senior Limited Tax (Convertible to Unlimited Tax) General Obligation Bonds Convertible Capital Appreciation Bonds, Series 2014

On February 19, 2014 the District issued Senior Limited Tax (Convertible to Unlimited Tax) General Obligation Bonds Convertible Capital Appreciation Bonds, Series 2014 ("Series 2014 Bonds") with an original issue price of \$2,870,809, and an accreted value of \$3,170,000 at December 31, 2016. The Series 2014 Bonds were issued for the purpose of paying amounts outstanding under the Acquisition Agreement and paying the costs of issuing the bonds. The Series 2014 Bonds initially accrete at 6% compounded annually and upon conversion on December 1, 2015, accrued interest at 6% payable semiannually on each June 1 and December 1, commencing on June 1, 2016. The Series 2014 Bonds were subject to a mandatory sinking fund redemption commencing on December 1, 2016 and were subject to early redemption at the option of the District on any date upon payment of par plus accrued interest without redemption premium.

The Series 2014 Bonds are secured by Pledged Revenues including the required mill levy imposed each year upon all taxable property of the District in an amount sufficient to pay the Debt Service Requirements as the same become due and payable, but not in excess of 40.000 mills, the portion of the specific ownership tax allocable to the required mill levy, capital fees, and any other legally available moneys that the Board determines in its sole discretion to credit to the Bond Fund. So long as the amount on deposit in the Surplus Fund is less than \$350,000 the mill levy shall equal 40.00 mills.

The Series 2014 Bonds are defeased upon issuance of the Series 2017 Loan.

BOYD PONDS METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements
December 31, 2017

Senior Limited Tax (Convertible to Unlimited Tax) General Obligation Refunding Loan Series 2017

On December 28, 2017 the District issued Senior Limited Tax (Convertible to Unlimited Tax) General Obligation Refunding Loan, Series 2017 (“Series 2017 Loan”) in the amount of \$3,015,000. The Series 2017 Loan was issued for the purpose of repaying the Series 2014 Bonds and paying the costs of issuing the loan. The Series 2017 Loan accrues interest at 3.1% payable semiannually on each June 1 and December 1, commencing on June 1, 2018. Principal payments on the Series 2017 Loan are due on December 1st of each year commencing on December 1, 2018. The Series 2017 Loan is subject to prepayment at the option of the District on any Principal Payment Date in an amount not exceeding \$100,000 with no prepayment fee or penalty. On or after December 1, 2024, the Series 2017 Loan may be prepaid in whole, but not in part upon payment of the principal balance plus accrued interest with no prepayment fee or penalty.

The Series 2017 Loan is secured by Pledged Revenues including the required mill levy imposed each year upon all taxable property of the District in an amount sufficient to pay the Debt Service Requirements as the same become due and payable, but not in excess of 40.000 mills as adjusted for the Gallagher Amendment, the portion of the specific ownership tax allocable to the required mill levy, capital fees, and any other legally available moneys that the Board determines in its sole discretion to credit to the Loan Fund.

The refunding resulted in a net present value savings of \$1,124,059 due to the average interest rate of the Series 2017 Loan being lower than the refunded bonds.

The following is a summary of the annual long-term debt principal and interest requirements.

	Principal	Interest	Total
2018	\$ 100,000	\$ 86,455	\$ 186,455
2019	100,000	90,365	190,365
2020	105,000	87,265	192,265
2021	110,000	84,010	194,010
2022	115,000	80,600	195,600
2023-2027	655,000	346,270	1,001,270
2028-2032	820,000	235,135	1,055,135
2033-2037	1,010,000	96,565	1,106,565
	\$ 3,015,000	\$ 1,106,665	\$ 4,121,665

BOYD PONDS METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2017

Debt Authorization

As of December 31, 2017, the District had remaining voted debt authorization of approximately \$46,985,000. The District has not budgeted to issue any new debt during 2018. Per the District's Service Plan, the District can not issue debt in excess of \$7,000,000.

Note 4: Agreements

On November 11, 2011, the District entered into an Operations and Maintenance Agreement ("Agreement") with Boyd Ponds Master Association, Inc. ("Association"), whereby the District agreed to grant the Association a non-exclusive easement on various tracts of District owned land for the operation and maintenance of various Improvements. The Association agreed to operate and maintain the improvements at its sole cost and expense, including maintaining both liability insurance and casualty insurance covering the tracts for a term of 30 years from the date of the Agreement. The Association can terminate the Agreement by providing written notice to the District by September 1 of each year with the termination taking effect on April 1 of the following year.

Note 5: Related Party

One of the Board of Directors is an employee, owner or are otherwise associated with the Developer and may have conflicts of interest in dealing with the District. Management believes that all potential conflicts, if any, have been disclosed to the Board.

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.

On May 4, 2010 a majority of the District's electors authorized the District to collect and spend or retain in a reserve all currently levied taxes and fees of the District without regard to any limitations under Article X, Section 20 of the Colorado Constitution.

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.

BOYD PONDS METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2017

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.

Note 7: 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 8: 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) long-term liabilities such as bonds payable and accrued bond 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 interest expense on the modified accrual basis; however, interest expense is reported on the full accrual method on the Statement of Activities; and
- 2) 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

Boyd Ponds 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, 2017

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES				
Property taxes	\$ 217,722	\$ 217,720	\$ 217,723	\$ 3
Specific ownership taxes	15,241	19,500	21,271	1,771
Interest income	<u>-</u>	<u>1,000</u>	<u>1,366</u>	<u>366</u>
Total Revenues	<u>232,963</u>	<u>238,220</u>	<u>240,360</u>	<u>2,140</u>
EXPENDITURES				
Bond principal	20,000	3,195,000	3,170,000	25,000
Bond interest expense	190,200	190,200	204,375	(14,175)
Bond issuance costs	-	130,000	119,242	10,758
Paying agent fees	2,500	2,500	2,500	-
Treasurer's fees	<u>3,266</u>	<u>3,266</u>	<u>3,268</u>	<u>(2)</u>
Total Expenditures	<u>215,966</u>	<u>3,520,966</u>	<u>3,499,385</u>	<u>21,581</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	16,997	(3,282,746)	(3,259,025)	23,721
OTHER FINANCING SOURCES				
Loan proceeds	<u>-</u>	<u>3,020,000</u>	<u>3,015,000</u>	<u>(5,000)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>3,020,000</u>	<u>3,015,000</u>	<u>(5,000)</u>
NET CHANGE IN FUND BALANCE				
	16,997	(262,746)	(244,025)	18,721
FUND BALANCE:				
BEGINNING OF YEAR	<u>274,749</u>	<u>275,784</u>	<u>275,784</u>	<u>-</u>
END OF YEAR	<u>\$ 291,746</u>	<u>\$ 13,038</u>	<u>\$ 31,759</u>	<u>\$ 18,721</u>

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

Boyd Ponds Metropolitan District No. 2

SUMMARY OF ASSESSED VALUATION, MILL LEVY AND PROPERTY TAXES COLLECTED

December 31, 2017

(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	
2012	\$ 837,076	45.000	0.000	\$ 37,668	\$ 37,668	100.00%
2013	\$ 1,524,179	45.000	0.000	\$ 68,588	\$ 68,588	100.00%
2014	\$ 2,759,937	45.000	0.000	\$ 124,197	\$ 124,197	100.00%
2015	\$ 3,554,252	5.000	40.000	\$ 159,941	\$ 159,941	100.00%
2016	\$ 5,280,876	5.000	40.000	\$ 237,639	\$ 237,640	100.00%
2017	\$ 5,443,055	5.000	40.000	\$ 244,937	\$ 244,938	100.00%
Estimated for year ending December 31, 2018	\$ 5,554,001	5.000	44.222	\$ 273,379		

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.