



**COMMERCE CITY
ADAMS COUNTY, COLORADO**



ANNUAL FINANCIAL STATEMENTS

December 31, 2018

INDEPENDENT AUDITOR'S REPORT

September 19, 2019

To the Board of Directors
Aberdeen Metropolitan District No 2

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major funds of Aberdeen Metropolitan District No 2 as of and for the year ended December 31, 2018 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 and relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of financial statements 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities and the major funds of Aberdeen Metropolitan District No 2, as of December 31, 2018 and the respective changes in financial position and the budgetary comparison for the General Fund, Reserve Fund and Debt Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other-Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

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

The Supplementary information, as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



Onofrey & Hirschfeld, P.C., CPAS

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ABERDEEN METROPOLITAN DISTRICT NO. 2
STATEMENT OF NET POSITION
December 31, 2018

| | Governmental Activities |
|--|------------------------------------|
| ASSETS | |
| Cash and investments | \$ 65,052 |
| Cash and investments – restricted | 3,233 |
| Accounts receivable – specific ownership taxes | 655 |
| Property taxes receivable | 233,800 |
| Prepaid expenses | 5,972 |
| Property, structures and equipment, net | 536,833 |
| Land and non-depreciable assets | 17,400 |
| Total Assets | \$ 862,945 |
| LIABILITIES | |
| Accounts payable and accrued liabilities | \$ 663 |
| Accrued interest payable | 1,275,725 |
| Current portion of municipal bonds | 285,000 |
| Municipal bonds (matures December 2035) | 1,805,000 |
| Total Liabilities | 3,366,388 |
| DEFERRED INFLOWS OF RESOURCES | |
| Property tax revenue | 233,800 |
| NET POSITION | |
| Restricted: | |
| Emergency reserves | 1,500 |
| Debt service | 1,860 |
| Capital projects | - |
| Non-spendable | 5,972 |
| Unassigned: | (2,746,575) |
| Total Net Position | (\$ 2,737,243) |

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

ABERDEEN METROPOLITAN DISTRICT NO. 2
STATEMENT OF ACTIVITIES
 For the 12-Month Period Ended December 31, 2018

| Functions/Programs | Expenses | Program Revenue | | | Net (Expense) Revenue and Changes in Net Position |
|--|---|----------------------------|--|--|--|
| | | Charges For Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities |
| Primary Government: | | | | | |
| Government Activities: | | | | | |
| General government activities | (\$ 56,819) | \$ - | \$ - | \$ - | (\$ 56,819) |
| Interest and related costs on long-term debt | (47,832) | - | - | - | (47,832) |
| Capital project activities | - | - | - | - | - |
| | <u>(\$ 104,651)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>(104,651)</u> |
| General Revenues | | | | | |
| | Property taxes | | | | \$ 89,214 |
| | Specific ownership taxes | | | | 7,795 |
| | Net investment income | | | | 1,686 |
| | Other | | | | - |
| | Total general revenue | | | | <u>98,695</u> |
| | Change in net position | | | | <u>(5,956)</u> |
| | Net Position (Deficit) – Beginning of Year | | | | <u>(2,731,287)</u> |
| | Net Position (Deficit) – End of Year | | | | <u>(\$ 2,737,243)</u> |

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

ABERDEEN METROPOLITAN DISTRICT NO. 2
BALANCE SHEET – GOVERNMENTAL FUNDS
December 31, 2018

| | General | Debt Service | Capital Projects | Total Government Funds |
|---|-------------------|------------------|---------------------|------------------------------|
| ASSETS | | | | |
| Cash and investments | \$ 65,052 | \$ - | \$ - | \$ 65,052 |
| Cash and investments - Restricted | 1,500 | 1,733 | - | 3,233 |
| Accounts receivable – spec ownership taxes | 528 | 127 | - | 655 |
| Property taxes receivable | 188,600 | 45,200 | - | 233,800 |
| Prepaid expenses | 5,972 | - | - | 5,972 |
| TOTAL ASSETS | \$ 261,652 | \$ 47,060 | \$ - | \$ 308,712 |
| LIABILITIES | | | | |
| Accounts payable and accrued liabilities | 663 | - | - | 663 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Property tax revenue | 188,600 | 45,200 | - | 233,800 |
| TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES | 189,263 | 45,200 | - | 234,463 |
| FUND BALANCES | | | | |
| Restricted: | | | | |
| Emergencies (TABOR) | 1,500 | - | - | 1,500 |
| Debt service | - | 1,860 | - | 1,860 |
| Capital projects | - | - | - | - |
| Non-spendable | 5,972 | - | - | 5,972 |
| Unrestricted | 64,917 | - | - | 64,917 |
| Total Fund Balances | 72,389 | 1,860 | - | 74,249 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | \$ 261,652 | \$ 47,060 | \$ - | |

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

Other long-term assets are not available or otherwise cannot be converted to cash to pay for current expenditures and, therefore, are recorded as expenditures in the funds

| | |
|---|---------|
| Property, structures and equipment, net | 536,833 |
|---|---------|

| | |
|---------------------------------|--------|
| Land and non-depreciable assets | 17,400 |
|---------------------------------|--------|

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds

| | |
|---------------|--------------|
| Bonds payable | (2,090,000) |
|---------------|--------------|

| | |
|--------------------------|--------------|
| Accrued interest payable | (1,275,725) |
|--------------------------|--------------|

| | |
|---|----------------------|
| Net position of governmental activities | <u>(\$2,737,243)</u> |
|---|----------------------|

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

ABERDEEN METROPOLITAN DISTRICT NO. 2
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
 12-Month Period Ended December 31, 2018

| | General | Debt Service | Capital Projects | Total Government Funds |
|--|------------------|-----------------|---------------------|------------------------------|
| REVENUES | | | | |
| Property taxes | \$ 44,156 | \$ 45,058 | \$ - | \$ 89,214 |
| Specific ownership taxes | 4,062 | 3,733 | - | 7,795 |
| Net investment income | 1,012 | 674 | - | 1,686 |
| Other | - | - | - | - |
| Total revenues | 49,230 | 49,465 | - | 98,695 |
| EXPENDITURES | | | | |
| General and administration | 37,332 | - | - | 37,332 |
| Clubhouse maintenance | 1,555 | - | - | 1,555 |
| Election costs | - | - | - | - |
| Debt service | | | | |
| Bond interest – 2005 Series Bonds | - | 47,006 | - | 47,006 |
| Bond principal – 2005 Series Bonds | - | - | - | - |
| Collections – County Treasurer | - | 676 | - | 676 |
| Paying agent fees | - | 150 | - | 150 |
| Public infrastructure acquisitions | - | - | - | - |
| Total Expenditures | 38,887 | 47,832 | - | 355,367 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 10,343 | 1,633 | - | 11,976 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Fund transfers in (out) | - | - | - | - |
| EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES | 10,343 | 1,633 | - | 11,976 |
| FIND BALANCES – BEGINNING | 62,046 | 227 | - | 62,273 |
| FUND BALANCES – END OF YEAR | <u>\$ 72,389</u> | <u>\$ 1,860</u> | <u>\$ -</u> | <u>\$ 74,249</u> |

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

ABERDEEN METROPOLITAN DISTRICT NO. 2
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
 12-Month Period Ended December 31, 2018

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

| | | |
|--|----|--------|
| Net change in fund balances – Total government funds | \$ | 11,976 |
|--|----|--------|

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.

| | | |
|---|---|---------|
| Depreciation expense on property structures and equipment | (| 17,932) |
|---|---|---------|

| | | |
|---|------------|---------------|
| Changes in net position of governmental activities | (\$ | 5,956) |
|---|------------|---------------|

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

ABERDEEN METROPOLITAN DISTRICT NO. 2
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL
 12-Month Period Ended December 31, 2018

| | Original Budget | Actual Amounts | Positive / (Negative) Variance with Original Budget |
|--|--------------------|-------------------|--|
| REVENUES | | | |
| 1. Property taxes | \$ 44,156 | \$ 44,156 | \$ - |
| 2. Specific ownership taxes | 4,860 | 4,062 | (798) |
| 3. Net investment income | 650 | 1,012 | 362 |
| Total revenues | <u>49,666</u> | <u>49,230</u> | <u>(436)</u> |
| EXPENDITURES | | | |
| 4. General and administration | 30,000 | 37,332 | (7,332) |
| 5. Landscape maintenance | 5,000 | - | 5,000 |
| 6. Clubhouse maintenance | - | 1,555 | (1,555) |
| 7. Election expenses | - | - | - |
| Total expenditures | <u>35,000</u> | <u>38,887</u> | <u>(3,887)</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>14,666</u> | <u>10,343</u> | <u>(4,323)</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| 8. Transfers in (out) | - | - | - |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> |
| EXCESS OF REVENUES AND OTHER FINANCIAL SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES | <u>14,666</u> | <u>10,343</u> | <u>(4,323)</u> |
| FUND BALANCE – BEGINNING OF YEAR | <u>58,228</u> | <u>62,046</u> | <u>3,818</u> |
| FUND BALANCE – END OF YEAR | <u>\$ 72,894</u> | <u>\$ 72,389</u> | <u>(\$ 505)</u> |

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

ABERDEEN METROPOLITAN DISTRICT NO. 2
GENERAL FUND EXPENDITURE
DETAILS– BUDGET AND ACTUAL
 12-Month Period Ended December 31, 2018

| | Original Budget | Actual Amounts | Positive / (Negative) Variance with Original Budget |
|---|--------------------|-------------------|--|
| GENERAL AND ADMINISTRATION | | | |
| 1. District management fees | \$ 10,000 | \$ 14,306 | (\$ 4,306) |
| 2. Administrative costs | 592 | - | 592 |
| 3. Audit fees | - | - | - |
| 4. Collection fees – County Treasurer | 662 | 662 | - |
| 5. Board of Directors’ fees | 1,200 | 3,561 | (2,361) |
| 6. Board training and conferences | - | 1,138 | (1,138) |
| 7. Insurance | 4,700 | 4,422 | 278 |
| 8. Legal fees | 8,000 | 13,243 | (5,243) |
| 9. Contingency | 4,846 | - | 4,846 |
| Total General and Administration | \$ 30,000 | \$ 37,332 | (\$ 7,332) |

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

ABERDEEN METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
12-Month Period Ended December 31, 2018

NOTE 1 – DEFINITION OF REPORTING ENTITY

Aberdeen Metropolitan District No. 2 (District), a quasi-municipal corporation and political subdivision of the State of Colorado, was organized on November 21, 2003, and is governed pursuant to provisions of the Colorado Special District Act (Title 32). The District operates under service plan approved by Commerce City (City) on September 15, 2003. The District's service area comprises approximately 197 acres located in Adams County, Colorado entirely within the boundaries of the City. According to its Service Plan, the District has the authority to (1) design, construct, acquire, install, relocate, operate and maintain various facilities including streets, traffic and safety controls, water systems, sanitation systems, parks and recreational facilities, transportation facilities, television relay and translation systems and mosquito control facilities and equipment and (2) provide additional services and exercise powers that are expressly or impliedly granted by Colorado law, and which the District is required to provide or exercise, or in its discretion, may choose to provide or exercise.

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies of the District are 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 activities of the District. The effect of interfund activity has been removed from these statements. Governmental activities are normally supported by property taxes.

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

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions

that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported 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.

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 major sources of revenue susceptible to accrual are property taxes and specific ownership taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is due.

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.

When both restricted and unassigned resources are available for use, it is the District's policy to use restricted resources first, then unassigned resources as they are needed.

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 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.

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 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.

Investments are carried at fair value.

Property Taxes

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or, if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

On November 06, 2018, District voters authorized the District to assess property taxes at no more than \$4,500,000 annually, without limitation to rate, to pay the District's operations, maintenance and other expenses. Additionally, the District voters authorized the District to retain and spend all such revenue without regard to TABOR spending, revenue raising or other limitations.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflow of resources in the year they are levied and measurable. The unearned property tax revenues are recorded as revenue in the year they are available or collected.

Specific Ownership Taxes

Specific ownership taxes are set by the State and collected by the County Treasurer, primarily on vehicle licensing within the County as a whole. The specific ownership taxes are allocated by the County Treasurer to all taxing entities within the County. In 2018, the District's share of Specific ownership taxes was equal to approximately 8.7% of the property taxes collected.

Specific ownership tax is allocated proportionally between each fund based on the ratio of property tax revenue collected for each fund compared to total property revenue collected by the District.

Reimbursable Costs

Legal fees and other costs incurred by the District related to any services provided to specific properties within the District are charged back to the respective property owners. The District presents reimbursable costs on a net basis. Factors considered by the District in determining whether to present reimbursable cost chargeback revenue on a gross or net basis include whether risks exist that the District will be unable to recover such costs from property owners. Pursuant to 32-1-1001(1)(j)(I) CRS, fines and reimbursable costs are secured on and against each respective property by a perpetual lien, which has priority over all other encumbrances on a property.

Facility Fees

On March 05, 2007, the District adopted a resolution, pursuant to 32-1-1001(1)(j)(I) CRS, imposing Facilities Fees upon all real property within the District (Facility Fee Resolution). Specifically, a one-time Facility Fee is payable to the District by the owner of each platted lot that is developed within the District. The Facility Fee imposed on each lot is secured by a perpetual lien. The Facility Fee is \$2,000 per single-family home lot, \$1,000 per multi-family home lot and \$0.50 per square foot for non-residential construction. The Facility Fee is payable to the District upon issuance of a building permit by the City.

All revenue earned from the collection of Facility Fees is Pledged Revenue that is to be deposited into the District's Bond Fund.

Deferred Outflows of Resources and Deferred Inflows of Resources

A deferred inflow of resources is an acquisition of net position by a government that is applicable to a future reporting period and a deferred outflow of resources is a consumption of net position by a government that is applicable to a future reporting period. Both deferred inflows and outflows are reported in the statement of net position but are not recognized in the financial statement as revenues and expenses until the period(s) to which they relate. Deferred inflows of resources in the governmental fund financial statements of the District for the 12-month period ended December 31, 2018 are comprised of property taxes due from Adams County that will not be collected within 60 days of the end of the current calendar year. Deferred inflows of resources in the government-wide financial statements represents property taxes for which an enforceable legal claim to assets exists, but for which the levy pertains to the subsequent year.

Equity

Net Position

For government-wide presentation purposes when both restricted and unrestricted resources are available for use, it is the government'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: non-spendable, 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:

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

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

NOTE 3 – CASH AND INVESTMENTS

Cash and investments as of December 31, 2018 are classified in the accompanying financial statements as follows:

Statement of net position:

| | | |
|-------------------------------------|-----------|---------------|
| Cash and investments – unrestricted | \$ | 65,052 |
| Cash and investments – restricted | | 3,233 |
| Total cash and investments | \$ | 68,285 |

Cash and investments as of December 31, 2018 consist of the following:

| | | |
|--------------------------------------|-----------|---------------|
| Deposits with financial institutions | \$ | 19,283 |
| Investments | | 49,002 |
| Total cash and investments | \$ | 68,285 |

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, 2018, the District's cash deposits had a bank balance of \$19,783 and a carrying balance of \$19,283.

Investments

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

The District generally limits its concentration of investments to those listed 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 disclosure requirements or subject to 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.

Revenue bonds of local government securities, corporate and bank securities, and guaranteed investment contracts not purchased with bond proceeds, are limited to maturities of three years or less.

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 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 purchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

As of December 31, 2018, the District's investments were comprised of the following:

| Investment | Maturity | Amortized Cost |
|---|-----------------------------------|-----------------------|
| Colorado Surplus Asset Fund Trust (CSAFE) | Weighted Average Under 60 Days | \$ 49,002 |

CSAFE

The District holds investments in the Colorado Surplus Asset Fund Trust (CSAFE), which 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 CSAFE. CSAFE operates similarly to a money market fund and each share is equal in value to \$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. CSAFE measures its investments at amortized cost and the District records its investments in CSAFE using the amortized cost method. There are no unfunded commitments, the redemption frequency is daily, and there is no redemption period notice. A designated custodial bank serves as custodian for CSAFE's portfolio pursuant to a custodian agreement. 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 custodian's internal records segregate investments owned by CSAFE. No limitations exist on the District's ability to withdraw funds invested in CSAFE. CSAFE is rated AAAM by Standard & Poor's.

NOTE 4 – PROPERTY, STRUCTURES AND EQUIPMENT

Acquisitions and dispositions of District property, structures and equipment are as follows:

| | Balance at 12/31/17 | Purchases | Disposals | Balance at 12/31/18 | Accumulated Depreciation |
|----------------------------|--------------------------------|------------------|------------------|--------------------------------|-------------------------------------|
| Clubhouse | \$ 409,081 | \$ - | \$ - | \$ 409,081 | (\$ 89,998) |
| Pool structure and fencing | 210,000 | - | - | 210,000 | (57,750) |
| Pool equipment | 40,000 | - | - | 40,000 | (40,000) |
| Pool furniture | 5,000 | - | - | 5,000 | (5,000) |
| Basketball court | 50,000 | - | - | 50,000 | (13,750) |
| Monument signage | 65,000 | - | - | 65,000 | (35,750) |
| | \$ 779,081 | \$ - | \$ - | \$ 779,081 | (\$ 242,248) |

NOTE 5 – LAND AND NON-DEPRECIABLE ASSETS

On June 16, 2006, the District acquired from the Developer a 0.74 land tract located within the District boundaries. Specifically, the District owns and maintains tract B as designated on the Aberdeen Subdivision Filing No. 1 plat filed with the Adams County Clerk & Recorder's Office.

The land is recorded by the District at a nominal value of \$7,400. The District also owns water rights and one tap used to irrigate the landscaping on these tracts of land. The District's water rights and taps are recorded at \$10,000, which is the estimated fair value of these assets when they were acquired from the Association.

NOTE 6 – LONG-TERM DEBT

The following is a summary of the changes in the District's long-term debt for the 12-month period ended December 31, 2018:

| | Balance at Dec. 31, 2017 | Additions | Retirements | Balance at Dec. 31, 2018 | Due within one year |
|--|-----------------------------|-------------------|--------------------|-----------------------------|------------------------|
| Series 2005 G.O. Bonds | \$ 2,090,000 | \$ - | \$ - | \$ 2,090,000 | \$ 285,000 |
| Accrued Interest – Series 2005 G.O. Bonds | 1,095,739 | 226,992 | (47,006) | 1,275,725 | - |
| Total | \$ 3,185,739 | \$ 226,992 | (\$ 47,006) | \$ 3,365,725 | \$ - |

Details regarding the District's long-term obligations are as follows:

Series 2005 General Obligation Refunding and Improvement Bonds (Bonds)

On December 16, 2005, the District issued General Obligation (Limited Tax Convertible to Unlimited Tax) Bonds, Series 2005 in the amount of \$2,090,000. The Bonds bear interest rates of 7.00% and 7.05% per annum, and are payable semi-annually on June 1 and December 1, beginning on June 01, 2006, with principal payable per the mandatory sinking fund payment schedule over 30 years with a final maturity on December 1, 2035.

The proceeds from the sale of the 2005 Bonds were used as follows:

| | | |
|--|---------------------|--------------|
| Bond proceeds | \$ 2,090,000 | 100.0% |
| Less: | | |
| Capitalized interest | (375,571) | (18.0%) |
| Legal, accounting and other costs of issuance | (70,900) | (3.4%) |
| Repay Developer advances | (590,000) | (28.2%) |
| Net bond proceeds used to fund capital projects | \$ 1,053,528 | 50.4% |

The Bonds are payable from pledged revenue, including the District's covenant to levy the Required Debt Mill Levy on all taxable property within the District as well as specific ownership tax contributions on the Required Debt Mill Levy (Pledged Revenue). The District's Required Debt Mill Levy cannot exceed the District's Maximum Debt Mill Levy, as defined in the District's Service Plan. During 2018, the Required Debt Mill Levy was set at 50.000 mills.

Pursuant to the 2005 Bond Resolution, the District is required to establish a Surplus Account. The maximum Surplus Account balance requirement is \$200,000. Funds in excess of the maximum Surplus Account balance may be used to pay required debt service on any other obligations of the District. As of December 31, 2018, the balance in the Surplus Account was \$1,860.

The 2005 Bond Resolution also prohibits the District from issuing additional debt unless (1) the District is not in arrears in the payment of principal and interest on the 2005 Bonds and (2) the Surplus Account is funded at the maximum amount.

Beginning in 2011, the District had depleted its capitalized interest funds and failed each year to generate sufficient revenue to fund the annual principal and interest payments due on the Bonds. Per the terms of the Bonds, interest accrues on unpaid interest. As of December 31, 2018, accrued interest on unpaid interest totaled \$41,235 (which is included in the total accrued interest balance).

Outstanding bond principal and interest on the Bonds mature as follows:

| | <u>Principal</u> | <u>Unpaid Interest</u> | <u>Interest</u> | <u>Total</u> |
|--------------|---------------------|----------------------------|---------------------|---------------------|
| 2019 | \$ 285,000 | \$ 1,263,509 | \$ 129,795 | \$ 1,678,304 |
| 2020 | 55,000 | - | 126,645 | 181,645 |
| 2021 | 60,000 | - | 122,795 | 182,795 |
| 2022 | 65,000 | - | 118,595 | 183,595 |
| 2023 | 70,000 | - | 114,045 | 184,045 |
| 2024 to 2028 | 470,000 | - | 485,175 | 955,175 |
| 2029 to 2033 | 710,000 | - | 289,850 | 999,850 |
| 2034 to 2035 | 375,000 | - | 40,185 | 415,185 |
| Total | \$ 2,090,000 | \$ 1,263,509 | \$ 1,427,085 | \$ 4,780,594 |

Debt Authorization

Debt Authorization – Service Plan

The District's service plan limits the District's debt service to a maximum mill levy of 50.000 mills, provided, however, that in the event the method of calculating the assessed valuation is changed after the date of the approved service plan (2003), the mill levy limitation applicable to such debt may be increased or decreased to reflect such changes. As of January 1, 2003, the ratio was 7.96%. The ratio for 2018 was 7.20%, which caused the District's Maximum Mill Levy for debt service for 2018 to be 55.278.

Debt Authorization – TABOR

On November 04, 2003, the District's electorate authorized the issuance of indebtedness in an amount not to exceed \$17,200,000 for infrastructure improvements and operations and maintenance at a net effective interest rate not to exceed 18% and \$17,000,000 for refunding the District's debt or other obligations.

The District's authorized but unissued indebtedness in the following amounts allocated for the following purposes is as follows:

| | <u>Authorized Nov. 2003 Election</u> | <u>Authorization Used, Series 2005 Bonds</u> | <u>Authorization Remaining at Dec. 31, 2018</u> |
|----------------------------------|--|--|---|
| Street improvements | \$ 6,915,000 | \$ 1,523,000 | \$ 5,392,000 |
| Park and recreational facilities | 4,110,000 | - | 4,110,000 |
| Sanitary supply | 3,150,000 | 247,000 | 2,903,000 |
| Water supply | 2,175,000 | 320,000 | 1,855,000 |
| Public transportation system | 75,000 | - | 75,000 |

| | | | |
|---|----------------------|---------------------|----------------------|
| Operations and maintenance | 200,000 | - | 200,000 |
| Traffic and safety controls | 420,000 | - | 420,000 |
| Television relay and translation system | 70,000 | - | 70,000 |
| Mosquito control | 85,000 | - | 85,000 |
| Subtotal | 17,200,000 | 2,090,000 | 15,110,000 |
| Refunding of debt | 17,000,000 | - | 17,000,000 |
| Total | \$ 34,200,000 | \$ 2,090,000 | \$ 32,110,000 |

Per C.R.S 32-1-1101(2), the remaining, unused debt issuance authorization obtained from the District’s electors will expire as follows:

- \$15,110,000 will expire in November 2023 - 20 years after the original debt authorization election.
- Debt refunding authorization will expire when the District’s current general obligation debt is paid down to a balance of \$400,000 or less

NOTE 7 – NET POSITION (DEFICIT)

Restricted Net Position

The District’s restricted net position as of December 31, 2018 in the general fund, debt service fund and capital projects fund totaled \$1,500, \$1,860 and \$0, respectively. The restricted net position within the general fund is due to spending restrictions established by TABOR. See Note 9 for further details. The restricted net position within the debt service fund is comprised of funds that are restricted to servicing the Series 2015 Bonds. The restricted net position within the capital project fund is comprised of funds restricted for funding the construction of public infrastructure.

Non-Spendable Net Position

The District’s non-spendable net position as of December 31, 2018 in the general fund, debt service fund and capital project fund totaled \$5,972, \$0, and \$0, respectively. These balances were created due to the District prepaying certain 2019 expenses in 2018.

Unassigned Net Position

The District’s unassigned net position as of December 31, 2018 totaled (\$2,743,932). This deficit amount was a result of the District being responsible for the repayment of bonds issued for public improvements conveyed to the City of Commerce City, South Adams County Water & Sanitation District and the District.

NOTE 8 – AGREEMENT WITH BONNYVIEW AT ABERDEEN OWNERS ASSOCIATION, INC (THE ASSOCIATION)

On September 14, 2006, the District entered into an agreement with the Association to provide all services related to the operation, maintenance and management of the District’s property, structures and equipment. The cost of providing such services is funded by the Association. This agreement automatically renewed annually on January 1st of each calendar year unless cancelled by either party no less than 30 days prior to the renewal date. The District and the Association terminated this contract effective January 01, 2019. See also Note 12 – Subsequent Events.

NOTE 9 – RELATED PARTIES

The owner of the 2005 Bonds is Aberdeen District Investments, LLC (ADI). Between January 01, 2018 and May 08, 2018, the Board President owned a significant interest in ADI, two Directors were employed by a company majority-owned by the Board President and one director owned minority interests in two companies majority-owned by the Board President.

Subsequent to the May 8, 2018 board election, none of the five District residents elected to the board reported any conflicts of interest arising from their participation on the District's board.

NOTE 10 – RISK MANAGEMENT

Except as provided in the Colorado Governmental Immunity Act, the District may be 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 11 – TAX, SPENDING AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution—referred to 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 November 06, 2018, District voters authorized the District to assess property taxes at no more than \$4,500,000 annually, without limitation to rate, to pay the District's operations, maintenance and other expenses. Additionally, the District voters approved a revenue change to allow the District to retain and spend all revenue, other than ad valorem taxes, in excess of TABOR spending, revenue raising or other limitations.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). TABOR prohibits the District from using its emergency reserves to compensate for economic conditions and revenue shortfalls.

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

NOTE 12 – SUBSEQUENT EVENTS

Covenant Enforcement and Architectural Review Services

On March 20, 2019, the District entered into a one-year agreement with the Association to provide covenant enforcement and architectural review services for a 12-month period beginning January 01, 2019. The cost of providing such services will be funded from revenues generated by the District. This agreement automatically renews on January 1st of each calendar year unless cancelled by either party no less than 30 days prior to the renewal date.

Use and Maintenance Agreement

On March 20, 2019, the District entered into a one-year agreement with the Association to use, operate, maintain and improve the Association's common areas and public right-of-way landscaping (as depicted on the Aberdeen Subdivision Filing No 1 plat map filed with the Adams County Clerk and Recorder's Office on March 22, 2005). Such services will be provided by the District at its own expense. This agreement automatically renews on January 1st of each calendar year unless cancelled by either party no less than 30 days prior to the renewal date.

Water Supply Service Agreement

On March 20, 2019, the District entered into a one-year agreement with the Association to provide water services to the condominium units within the Association's boundaries. Such services will be provided by the District at its own expense. This agreement automatically renews on January 1st of each calendar year unless cancelled by either party no less than 30 days prior to the renewal date.

SUPPLEMENTARY INFORMATION

ABERDEEN METROPOLITAN DISTRICT NO. 2
DEBT SERVICE FUND –
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
 12-Month Period Ended December 31, 2018

| | Original Budget | Actual Amounts | Positive / (Negative) Variance with Original Budget |
|--|--------------------|-------------------|--|
| REVENUES | | | |
| Property taxes | \$ 45,058 | \$ 45,058 | \$ - |
| Specific ownership taxes | 4,960 | 3,733 | (1,227) |
| Facility fees | - | | - |
| Net investment income | 250 | 674 | 424 |
| Other income | 1,000 | - | (1,000) |
| Total revenues | 51,268 | 49,465 | (1,803) |
| EXPENDITURES | | | |
| Debt service | | | |
| Bond interest – 2005 Series Bonds | 50,022 | 47,006 | 3,016 |
| Bond principal – 2005 Series Bonds | - | - | - |
| Collection fees – County Treasurer | 676 | 676 | - |
| Bond paying agent fees | 150 | 150 | - |
| Contingency | 1,000 | - | 1,000 |
| Total expenditures | 51,848 | 47,832 | 4,016 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (580) | 1,633 | 2,213 |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in (out) | - | - | - |
| Total other financing sources (uses) | - | - | - |
| EXCESS OF REVENUES AND OTHER FINANCIAL SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES | (580) | 1,633 | 2,213 |
| FUND BALANCE – BEGINNING | 580 | 227 | (353) |
| FUND BALANCE – END OF YEAR | \$ - | \$ 1,860 | \$ 1,860 |

ABERDEEN METROPOLITAN DISTRICT NO. 2
CAPITAL PROJECTS FUND –
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
 12-Month Period Ended December 31, 2018

| | Original Budget | Actual Amounts | Positive / (Negative) Variance with Original Budget |
|--|--------------------|-------------------|---|
| REVENUES | | | |
| Net investment income | \$ - | \$ - | \$ - |
| Other | - | - | - |
| Total revenues | - | - | - |
| EXPENDITURES | | | |
| Legal Fees | - | - | - |
| Capital projects | | | |
| Major capital projects | - | - | - |
| Total expenditures | - | - | - |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | - | - | - |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers In (Out) | - | - | - |
| Total other financing sources (uses) | - | - | - |
| EXCESS OF REVENUES AND OTHER FINANCIAL SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES | - | - | - |
| FUND BALANCE – BEGINNING OF YEAR | - | - | - |
| FUND BALANCE – END OF YEAR | \$ - | \$ - | \$ - |

ABERDEEN METROPOLITAN DISTRICT NO. 2
SUMMARY OF ASSESSED VALUATION,
MILL LEVY AND PROPERTY TAXES COLLECTED
 December 31, 2018

| Year Ended December 31, | Prior Year Assessed Valuation for Current Year tax Levy | Mills Levied | | Total Property Taxes | | Percent Collected to Levied |
|----------------------------|--|--------------|--------|----------------------|-----------------------|-----------------------------------|
| | | Operations | Debt | Levied | Collected (Note A) | |
| 2014 | \$ 742,530 | 49.000 | 50.000 | \$ 73,511 | \$ 66,675 | 90.70% |
| 2015 | 743,060 | 49.000 | 50.000 | 73,563 | 43,397 | 58.99% |
| 2016 | 758,720 | 49.000 | 50.000 | 75,113 | 217,543 | 289.62% |
| 2017 | 758,870 | 49.000 | 50.000 | 75,128 | 75,128 | 100.00% |
| 2018 | 901,150 | 49.000 | 50.000 | 89,214 | 89,214 | 100.00% |
| 2019 | 904,210 | 208.580 | 50.000 | 233,800 | [TBD] | [TBD] |

NOTE A: Property taxes collected in any one year may include collection of delinquent property taxes levied in prior years.

OTHER SUPPLEMENTARY INFORMATION

ABERDEEN METROPOLITAN DISTRICT NO. 2
CHANGE IN TOTAL OVERLAPPING MILL LEVY
 December 31, 2018

| | 2018 Mill Levy ** | 2019 Mill Levy * | Change |
|---|----------------------|---------------------|----------------|
| Aberdeen Metropolitan District No. 2 | 99.000 | 258.580 | 159.580 |
| Brighton School District No. 27J | 49.164 | 49.092 | (0.072) |
| Commerce City North Infrastructure District | 27.000 | 27.000 | - |
| Adams County | 26.929 | 26.864 | (0.065) |
| Fire District 4 South Adams | 9.900 | 14.750 | 4.850 |
| Rangeview Library District | 3.669 | 3.666 | (0.003) |
| City of Commerce City | 3.160 | 3.280 | 0.120 |
| South Adams County Water & Sanitation District | 2.701 | 2.714 | 0.013 |
| Central Colorado Water Conservation District | 1.800 | 1.540 | (0.260) |
| Central Colorado Water Conservation Subdistrict | 1.353 | 2.739 | 1.386 |
| Urban Drainage and Flood Control | 0.500 | 0.726 | 0.226 |
| Urban Drainage and Flood Control – South Platte | 0.057 | 0.094 | 0.037 |
| Total Mill Levy | 225.233 | 391.045 | 165.812 |

* -- For property tax collections in 2019

** -- For property tax collections in 2018

ABERDEEN METROPOLITAN DISTRICT NO. 2

HISTORICAL DEBT RATIOS

December 31, 2018

| | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|--------------|--------------|--------------|--------------|--------------|
| General Obligation Bonds | \$ 2,090,000 | \$ 2,090,000 | \$ 2,090,000 | \$ 2,090,000 | \$ 2,090,000 |
| Accrued, unpaid interest - Bonds | \$ 685,891 | \$ 855,401 | \$ 923,409 | \$ 1,095,739 | \$ 1,275,725 |
| Combined assessed property values within the District | \$ 743,060 | \$ 758,720 | \$ 758,870 | \$ 901,150 | \$ 904,210 |
| Ratio of debt to assessed property values | 373.6% | 388.2% | 397.1% | 353.5% | 372.2% |