

**CANYON CREEK METROPOLITAN DISTRICT NO. 2  
El Paso County, Colorado**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED DECEMBER 31, 2018**

**CANYON CREEK METROPOLITAN DISTRICT NO. 2  
TABLE OF CONTENTS  
YEAR ENDED DECEMBER 31, 2018**

<b>INDEPENDENT AUDITOR’S REPORT</b>	<b>1</b>
<b>BASIC FINANCIAL STATEMENTS</b>	
<b>GOVERNMENT-WIDE FINANCIAL STATEMENTS</b>	
<b>STATEMENT OF NET POSITION</b>	<b>1</b>
<b>STATEMENT OF ACTIVITIES</b>	<b>2</b>
<b>FUND FINANCIAL STATEMENTS</b>	
<b>BALANCE SHEET – GOVERNMENTAL FUNDS</b>	<b>3</b>
<b>STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN         FUND BALANCES – GOVERNMENTAL FUNDS</b>	<b>4</b>
<b>RECONCILIATION OF THE STATEMENT OF REVENUES,         EXPENDITURES, AND CHANGES IN FUND BALANCES OF THE         GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES</b>	<b>5</b>
<b>GENERAL FUND – STATEMENT OF REVENUES, EXPENDITURES, AND         CHANGES IN FUND BALANCE – BUDGET AND ACTUAL</b>	<b>6</b>
<b>NOTES TO BASIC FINANCIAL STATEMENTS</b>	<b>7</b>
<b>SUPPLEMENTARY INFORMATION</b>	
<b>DEBT SERVICE FUND – SCHEDULE OF REVENUES, EXPENDITURES,     AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL</b>	<b>18</b>
<b>CAPITAL PROJECTS FUND – SCHEDULE OF REVENUES,     EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND     ACTUAL</b>	<b>19</b>
<b>SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY     TAXES COLLECTED</b>	<b>20</b>



---

## INDEPENDENT AUDITOR'S REPORT

---

Board of Directors  
**Canyon Creek Metropolitan District No. 2**  
El Paso County, Colorado

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Canyon Creek Metropolitan District No. 2 ("District"), 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 relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2018, the changes in its 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

### *Required Supplementary Information*

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which 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 opinions on the basic financial statements are not affected by this missing information.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*BiggsKofford, P.C.*

Colorado Springs, Colorado  
September 27, 2019

## **BASIC FINANCIAL STATEMENTS**

**CANYON CREEK METROPOLITAN DISTRICT NO. 2**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2018**

	Governmental Activities
<b>ASSETS</b>	
Cash and Investments	\$ 83
Cash and Investments - Restricted	15
Receivable from County Treasurer	146
Property Tax Receivable	16,768
Construction in Progress	5,162,782
Total Assets	5,179,794
<b>LIABILITIES</b>	
Due to other districts	120
Due to CSURA	124
Noncurrent Liabilities:	
Due in More Than One Year	3,700,933
Total Liabilities	3,701,177
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred Property Taxes	16,768
Total Deferred Inflows of Resources	16,768
<b>NET POSITION</b>	
Unrestricted	1,461,849
Total Net Position	\$ 1,461,849

See accompanying Notes to Basic Financial Statements.

**CANYON CREEK METROPOLITAN DISTRICT NO. 2  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2018**

		Program Revenues			Net Revenues (Expenses) and Change in Net Position
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
<b>FUNCTIONS/PROGRAMS</b>					
Primary Government:					
Government Activities:					
General Government	\$ 80,941	\$ -	\$ -	\$ -	
Interest and Related Costs on Long-Term Debt	150,201	-	-	-	
Total Government Activities	\$ 231,142	\$ -	\$ -	\$ 1,673,038	
			1,673,038	1,522,837	
			\$ 1,673,038	1,441,896	
<b>GENERAL REVENUES</b>					
Property taxes				13,122	
Specific ownership tax				1,658	
Net Investment Income				322	
Total General Revenues				15,102	
<b>CHANGE IN NET POSITION</b>				1,456,998	
Net Position - Beginning of Year				4,851	
<b>NET POSITION - END OF YEAR</b>				\$ 1,461,849	

See accompanying Notes to Basic Financial Statements.

**CANYON CREEK METROPOLITAN DISTRICT NO. 2  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2018**

	General	Debt Service	Capital Projects	Total Governmental Funds
<b>ASSETS</b>				
Cash and Investments	\$ 83	\$ -	\$ -	\$ 83
Cash and Investments - Restricted	-	15	-	15
Receivable from County Treasurer	37	109	-	146
Property Tax receivable	4,192	12,576	-	16,768
Total Assets	\$ 4,229	\$ 12,700	\$ -	\$ 16,929
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Due to other districts	\$ 120	\$ -	\$ -	\$ 120
Due to CSURA	-	124	-	124
Total Liabilities	120	124	-	244
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Property Taxes	4,192	12,576	-	16,768
Total Deferred Inflows of Resources	4,192	12,576	-	16,768
<b>FUND BALANCES</b>				
Total Fund Balances	-	-	-	-
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 4,312	\$ 12,700	\$ -	
Amounts reported for governmental activities in the statement of net position are different because:				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				
Capital Assets, Net				5,162,782
Long-term liabilities are not due and payable in the current period and, therefore, are not in the funds.				
Developer Advance Payable				(3,700,933)
Net position of governmental activities				\$ 1,461,849

See accompanying Notes to Basic Financial Statements.

**CANYON CREEK METROPOLITAN DISTRICT NO. 2**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2018**

	General	Debt Service	Capital Projects	Total Governmental Funds
<b>REVENUES</b>				
Property taxes	\$ 3,280	\$ 9,842	\$ -	\$ 13,122
Specific ownership tax	417	1,241	-	1,658
Net Investment Income	67	255	-	322
Transfer From CSURA	-	-	1,673,038	1,673,038
Total Revenues	<u>3,764</u>	<u>11,338</u>	<u>1,673,038</u>	<u>1,688,140</u>
<b>EXPENDITURES</b>				
County Treasurer's fee	50	150	-	200
Transfer to District 1	3,682	-	60,988	64,670
Transfer to District 3	47	140	-	187
Transfer to CSURA	-	15,884	-	15,884
Capital Outlay	-	-	5,162,782	5,162,782
Total Expenditures	<u>3,779</u>	<u>16,174</u>	<u>5,223,770</u>	<u>5,243,723</u>
<b>EXCESS OF REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	(15)	(4,836)	(3,550,732)	(3,555,583)
<b>OTHER FINANCING SOURCES (USES)</b>				
Developer Advance	-	-	5,223,770	5,223,770
Repay Developer Advance	-	-	(1,673,038)	(1,673,038)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>3,550,732</u>	<u>3,550,732</u>
<b>NET CHANGE IN FUND BALANCES</b>	(15)	(4,836)	-	(4,851)
Fund Balances (Deficits) - Beginning of Year	<u>15</u>	<u>4,836</u>	<u>-</u>	<u>4,851</u>
<b>FUND BALANCES (DEFICITS) - END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying Notes to Basic Financial Statements.

**CANYON CREEK METROPOLITAN DISTRICT NO. 2  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2018**

Net Change in Fund Balances - Total Governmental Funds \$ (4,851)

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

Governmental funds report capital outlays as expenditures. In the statement of activities capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense the allocation of the cost of any depreciable asset over the estimated useful life of the asset.

Capital Outlay 5,162,782

Long-term debt (e.g., the receipt of Developer advances) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

Developer Advances (5,223,770)

Repayment of Developer Advances 1,673,038

Accrued Interest on Developer Advances - Change in Liability (150,201)

Changes in Net Position of Governmental Activities \$ 1,456,998

**CANYON CREEK METROPOLITAN DISTRICT NO. 2  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2018**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Property taxes	\$ 3,280	\$ 3,280	\$ -
Specific ownership tax	430	417	(13)
Net investment Income	-	67	67
Other Income	1,000	-	(1,000)
Total Revenues	<u>4,710</u>	<u>3,764</u>	<u>(946)</u>
<b>EXPENDITURES</b>			
County Treasurer's fee	49	50	(1)
Transfer to District 1	3,661	3,682	(21)
Transfer to District 3	-	47	(47)
Contingency	1,000	-	1,000
Total Expenditures	<u>4,710</u>	<u>3,779</u>	<u>931</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	-	(15)	(15)
Fund Balance (Deficit) - Beginning of Year	<u>-</u>	<u>15</u>	<u>15</u>
<b>FUND BALANCE (DEFICIT) - END OF YEAR</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See accompanying Notes to Basic Financial Statements.

**CANYON CREEK METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 1 DEFINITION OF REPORTING ENTITY**

Canyon Creek Metro District No. 2 (the "District") and Canyon Creek Metropolitan District No. 1 (District No. 1) and Canyon Creek Metropolitan District No.3 (District No. 3) (collectively, the "Districts") were formed under the Consolidated Service Plan approved by the City of Colorado Springs (the "City") on November 4, 2008. The Service Plan was approved by the City Council of the City of Colorado Springs on October 14, 2008. The Districts' service area is located entirely within the City of Colorado Springs, El Paso County, Colorado. The District was organized to provide financing and construction for the street improvements and drainage with safety protection, portable water and wastewater system, mosquito control, limited covenant enforcement, parks and open space, transportation system, and the operation and maintenance of the District.

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

**Government-Wide and Fund Financial Statements**

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

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

**CANYON CREEK METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Government-Wide and Fund Financial Statements (Continued)**

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

Separate financial statements are provided for the 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 within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. The District determined that Developer advances are not considered as revenue susceptible to accrual. Expenditures, other than 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.

**CANYON CREEK METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Budgets**

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures and other financing uses 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 and investments.

**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, sale of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows 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.

**Capital Assets**

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

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

**CANYON CREEK METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Deferred Inflows of Resources**

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

**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: nonspendable, restricted, committed, assigned, and unassigned. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

*Nonspendable Fund Balance* – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.

*Restricted Fund Balance* – The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.

*Committed Fund Balance* – The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.

*Assigned Fund Balance* – The portion of fund balance that is constrained by the government's intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.

**CANYON CREEK METROPOLITAN DISTRICT NO. 2  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Equity (Continued)**

**Fund Balance**

*Unassigned Fund Balance* – The residual portion of fund balance that does not meet any of the criteria described above.

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

**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	\$	83
Cash and Investments - Restricted		15
Total Cash and Investments	<u>\$</u>	<u>98</u>

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

Investments	\$	98
Total Cash and Investments	<u>\$</u>	<u>98</u>

**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.

As of December 31, 2018, the District had no cash deposits.

**CANYON CREEK METROPOLITAN DISTRICT NO. 2  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**NOTE 3 CASH AND INVESTMENTS (CONTINUED)**

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

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

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

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

As of December 31, 2018, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted Average Under 60 Days	\$ 98

**CANYON CREEK METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 3 CASH AND INVESTMENTS (CONTINUED)**

**COLOTRUST**

The District invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities 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 any security allowed under CRS 24-75-601. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. COLOTRUST is rated AAAM by Standard & Poor's. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST at net asset value as determined by the fair value method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

**NOTE 4 CAPITAL ASSETS**

An analysis of the changes in the capital assets for the year ended December 31, 2018 follows:

	Balance - December 31, 2017	Increases	Decreases	Balance - December 31, 2018
<u>Governmental Activities</u>				
Capital Assets, Not Being Depreciated:				
Construction in Progress	\$ -	\$ 5,162,782	\$ -	\$ 5,162,782
Total Capital Assets, Not Being Depreciated	<u>\$ -</u>	<u>\$ 5,162,782</u>	<u>\$ -</u>	<u>\$ 5,162,782</u>

**NOTE 5 LONG-TERM OBLIGATIONS**

The following is an analysis of changes in the District's long-term obligations for the year ended December 31, 2018:

	Balance - December 31, 2017	Additions	Retirements	Balance - December 31, 2018	Due Within One Year
Developer Advances	\$ -	\$ 5,223,770	\$ 1,673,038	\$ 3,550,732	\$ -
Interest on Developer Advances	-	150,201	-	150,201	-
Total	<u>\$ -</u>	<u>\$ 5,373,971</u>	<u>\$ 1,673,038</u>	<u>\$ 3,700,933</u>	<u>\$ -</u>

**CANYON CREEK METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)**

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

**Developer Advances**

On April 23, 2018, the District entered into an Infrastructure Acquisition and Reimbursement Agreement with District No. 3 to assist the Colorado Springs Urban Renewal Authority with their 2018A Senior Bonds and 2018B Subordinate Bond issuance. The District agrees to remit all pledged revenue from their debt service fund to assist with the repayment of the bonds issued by the Colorado Springs Urban Renewal Authority. Proceeds of the 2018A Senior Bonds and 2018B Subordinate Bonds will reimburse the Developer for Certified District Eligible Costs related to Public Infrastructure. As of December 31, 2018, under this agreement, the District owed \$3,550,732 and \$150,201 in outstanding principal and accrued interest, respectively.

**Authorized Debt**

On November 4, 2008, the District's voters authorized debt in the amount of \$60,000,000 for the execution of the Agreement and \$148,000,000 for repayment cost. At December 31, 2018, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

	Amount Authorized on November 4, 2008	Authorization Used 2018 Capital Pledge Agreement	Authorized But Unissued
Streets	\$ 20,000,000	\$ 3,448,375	\$ 16,551,625
Water	20,000,000	193,367	19,806,633
Sanitary Sewer	20,000,000	1,491,808	18,508,192
Traffic and Safety	20,000,000	-	20,000,000
Parks and Recreation	20,000,000	3,347,450	16,652,550
Mosquito Control	20,000,000	-	20,000,000
Transportation	20,000,000	-	20,000,000
Refunding	60,000,000	-	60,000,000
Total	<u>\$ 200,000,000</u>	<u>\$ 8,481,000</u>	<u>\$ 191,519,000</u>

Pursuant to the Service Plan, the District is permitted to issue bond indebtedness of up to \$75,000,000.

In the future, the District may issue a portion or all of the remaining authorized but unissued general obligation debt for purposes of providing improvements to support development as it occurs within the District's service area.

**NOTE 6 NET POSITION**

The District has net position consisting of one component – unrestricted.

As of December 31, 2018 the District has an unrestricted net position of \$1,612,050.

**CANYON CREEK METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 7 RELATED PARTY**

The Developer of the property which constitutes the District is Ivywild Core Development, Inc. Certain members of the Board of Directors are employees, owners or otherwise associated with the Developer, and may have conflicts of Interest in dealing with the District.

**NOTE 8 AGREEMENTS**

**Capital Pledge Agreement**

On June 21, 2018, District No. 2 and District No.3 (together, the “Pledge Districts”) entered into a Capital Pledge Agreement with Colorado Springs Urban Renewal Authority (the Authority) and UMB Bank, N.A. (the Trustee). Under the terms of the Capital Pledge Agreement, the Pledge Districts agree to levy on all taxable property of such Pledge District in the amount of the Required Mill Levy of 30.000 mills (subject to adjustment). The Pledge Districts agree to remit all Pledge Agreement revenues to the Trustee or as otherwise directed by the Authority as soon as practicable.

**Urban Renewal Agreement**

On June 21, 2018, the Pledge Districts, the Authority and the Developer entered into the Amended and Restated Urban Renewal Agreement for Development of the South Nevada Avenue Area Urban Renewal Plan Area (the URA Agreement). Under the terms of the URA Agreement, the Pledge Districts, along with the Developer and the Authority will work to facilitate development within the District.

**PILOT Agreement**

On June 19, 2018, the District, Ivywild Development I, LLC (the Declarant) and On the Ivy, LLC (the Consenting Owner) entered into the Declaration of Covenants Concerning Payment in Lieu of Taxes (PILOT Agreement). Under the terms of the PILOT Agreement, the District will calculate and collect from the owners of exempt property within the District, an annual fee, equal to the District Mill Levy for the applicable calendar year that would be imposed on and apply to the Property, or applicable portion thereof, if it were not exempt property, multiplied by the County Assessor’s most recent assessed valuation of such exempt property.

**NOTE 9 RISK MANAGEMENT**

The District is exposed to various risks of losses 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 an 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 the past three fiscal years.

**CANYON CREEK METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 9 RISK MANAGEMENT (CONTINUED)**

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

**NOTE 10 TAX, SPENDING, AND DEBT LIMITATIONS**

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

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

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the Emergency Reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. The District transfers its net operating revenue to District No. 1. Therefore, the Emergency Reserves related to the District's revenues are reported in District No. 1.

On November 4, 2008, a majority of the District's electors authorized the District to collect and spend or retain a reserve all currently levied taxes and fees of the District without regard to any limitations under TABOR.

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

## **SUPPLEMENTARY INFORMATION**

**CANYON CREEK METROPOLITAN DISTRICT NO. 2  
DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2018**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Property taxes	\$ 9,841	\$ 9,842	\$ 1
Specific ownership tax	1,280	1,241	(39)
Net investment Income	-	255	255
Other Income	1,000	-	(1,000)
Public Improvement Fees	110,000	-	(110,000)
Total Revenues	<u>122,121</u>	<u>11,338</u>	<u>(110,783)</u>
<b>EXPENDITURES</b>			
County Treasurer's fee	148	150	(2)
Transfer to District 3	-	140	(140)
Transfer to CSURA	125,644	15,884	109,760
Contingency	1,000	-	1,000
Total Expenditures	<u>126,792</u>	<u>16,174</u>	<u>110,618</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(4,671)	(4,836)	(165)
Fund Balance (Deficit) - Beginning of Year	<u>4,671</u>	<u>4,836</u>	<u>165</u>
<b>FUND BALANCE (DEFICIT) - END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CANYON CREEK METROPOLITAN DISTRICT NO. 2  
CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2018**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Transfer From CSURA	\$ 5,485,000	1,673,038	\$ (3,811,962)
Total Revenues	<u>5,485,000</u>	<u>1,673,038</u>	<u>(3,811,962)</u>
<b>EXPENDITURES</b>			
Transfer to District 1	5,485,000	60,988	5,424,012
Capital outlay	-	5,162,782	(5,162,782)
Total Expenditures	<u>5,485,000</u>	<u>5,223,770</u>	<u>261,230</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	-	(3,550,732)	(3,550,732)
<b>OTHER FINANCING SOURCES (USES)</b>			
Developer Advance	5,485,000	5,223,770	(261,230)
Repay Developer Advance	(5,485,000)	(1,673,038)	3,811,962
Total Other Financing Sources (Uses)	<u>-</u>	<u>3,550,732</u>	<u>3,550,732</u>
<b>NET CHANGE IN FUND BALANCES</b>	-	-	-
Fund Balance - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CANYON CREEK METROPOLITAN DISTRICT NO. 2  
SCHEDULE OF ASSESSED VALUATION,  
MILL LEVY, AND PROPERTY TAXES COLLECTED  
YEAR ENDED DECEMBER 31, 2018**

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied		Total Property Taxes		Percentage Collected to Levied
		General	Debt Service	Levied	Collected	
2016	\$ 10,161	10.000	30.000	\$ 407	\$ 406	99.75 %
2017	140,200	10.000	30.000	5,608	5,608	100.00
2018	317,160	10.343	31.030	13,122	13,122	100.00
Estimated for the year ending December 31, 2019	\$ 394,290	10.632	31.895	\$ 16,768		

Note:

Property taxes shown as collected in any one year include collection of delinquent property taxes or abatements of property taxes assessed in prior years. This presentation does not attempt to identify specific years of assessment.