

SILVER PEAKS METROPOLITAN DISTRICT NO. 2

Financial Statements

Year Ended December 31, 2018

with

Independent Auditors' Report

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

Independent Auditors' Report

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Silver Peaks Metropolitan District No. 2 (the "District") as of and for the year ended December 31, 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards general accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

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

Other Matters

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

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's financial statements as a whole. The supplemental information as listed in the table of contents is presented for the purposes of legal compliance and additional analysis and is not a required part of the financial statements. The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Stratagem PC
Certified Public Accountants
Lakewood, Colorado

August 29, 2019

SILVER PEAKS METROPOLITAN DISTRICT NO. 2

BALANCE SHEET/STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
December 31, 2018

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS						
Cash and investments	\$ 37,315	\$ -	\$ -	\$ 37,315	\$ -	\$ 37,315
Cash and investments - restricted	1,380	515,354	4,569,348	5,086,082	-	5,086,082
Receivable - County Treasurer	286	2,555	-	2,841	-	2,841
Property taxes receivable	60,504	541,611	-	602,115	-	602,115
Prepaid expenses	2,508	-	-	2,508	-	2,508
Receivable from District No. 1	-	45,750	-	45,750	-	45,750
Developer receivable	2,012	-	-	2,012	(2,012)	-
Bond insurance	-	-	-	-	89,748	89,748
Capital assets not being depreciated	-	-	-	-	2,431,217	2,431,217
Capital assets being depreciated, net	-	-	-	-	275,404	275,404
Total Assets	<u>\$ 104,005</u>	<u>\$ 1,105,270</u>	<u>\$ 4,569,348</u>	<u>\$ 5,778,623</u>	<u>2,794,357</u>	<u>8,572,980</u>
LIABILITIES						
Accounts payable	\$ 20,778	\$ -	\$ 5,797	\$ 26,575	-	26,575
Accrued interest on bonds	-	-	-	-	59,876	59,876
Due to Other Districts	700	1,000	-	1,700	-	1,700
Long-term liabilities:						
Due in more than one year	-	-	-	-	13,845,527	13,845,527
Total Liabilities	<u>21,478</u>	<u>1,000</u>	<u>5,797</u>	<u>28,275</u>	<u>13,905,403</u>	<u>13,933,678</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred property taxes	<u>60,504</u>	<u>541,611</u>	<u>-</u>	<u>602,115</u>	<u>-</u>	<u>602,115</u>
Total Deferred Inflows of Resources	<u>60,504</u>	<u>541,611</u>	<u>-</u>	<u>602,115</u>	<u>-</u>	<u>602,115</u>
FUND BALANCES/NET POSITION						
Fund Balances:						
Nonspendable:						
Prepays	2,508	-	-	2,508	(2,508)	-
Restricted:						
Emergencies	1,380	-	-	1,380	(1,380)	-
Debt service	-	562,659	-	562,659	(562,659)	-
Capital projects	-	-	4,563,551	4,563,551	(4,563,551)	-
Unassigned	<u>18,135</u>	<u>-</u>	<u>-</u>	<u>18,135</u>	<u>(18,135)</u>	<u>-</u>
Total Fund Balances	<u>22,023</u>	<u>562,659</u>	<u>4,563,551</u>	<u>5,148,233</u>	<u>(5,148,233)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 104,005</u>	<u>\$ 1,105,270</u>	<u>\$ 4,569,348</u>	<u>\$ 5,778,623</u>		
Net Position:						
Restricted for:						
Emergencies					1,380	1,380
Debt service					502,783	502,783
Capital projects					4,563,551	4,563,551
Unrestricted					<u>(11,030,527)</u>	<u>(11,030,527)</u>
Total Net Position					<u>\$ (5,962,813)</u>	<u>\$ (5,962,813)</u>

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

SILVER PEAKS METROPOLITAN DISTRICT NO. 2

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

For the Year Ended December 31, 2018

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
EXPENDITURES						
Audit	\$ 4,250	\$ -	\$ -	\$ 4,250	\$ -	\$ 4,250
Insurance	3,297	-	-	3,297	-	3,297
Legal	34,063	-	-	34,063	-	34,063
District management and accounting	8,707	-	-	8,707	-	8,707
Directors' fees and payroll taxes	850	-	-	850	-	850
Treasurer's fees	732	6,527	-	7,259	-	7,259
Bond interest expense	-	282,189	-	282,189	36,289	318,478
Bond issuance costs	-	216,798	193,345	410,143	-	410,143
Bond insurance	-	90,454	-	90,454	(90,454)	-
Paying agent fees	-	1,250	-	1,250	-	1,250
Capital improvements	-	-	9,920	9,920	-	9,920
Depreciation	-	-	-	-	10,796	10,796
Amortize bond insurance	-	-	-	-	706	706
Developer advances - interest	-	-	-	-	189,124	189,124
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	51,899	597,218	203,265	852,382	146,461	998,843
GENERAL REVENUES						
Property taxes	48,830	434,999	-	483,829	-	483,829
Specific ownership taxes	3,753	33,429	-	37,182	-	37,182
IGA Transfer	-	240,000	-	240,000	-	240,000
Interest income	253	6,058	24,032	30,343	-	30,343
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total General Revenues	52,836	714,486	24,032	791,354	-	791,354
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES						
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	937	117,268	(179,233)	(61,028)	(146,461)	(207,489)
OTHER FINANCING SOURCES						
Bond proceeds	-	4,839,900	4,650,100	9,490,000	(9,490,000)	-
Premium on Bonds	-	98,452	94,591	193,043	(193,043)	-
Payment to refunding agent	-	(4,608,000)	-	(4,608,000)	4,608,000	-
Developer advances	21,000	-	-	21,000	(21,000)	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Sources	21,000	330,352	4,744,691	5,096,043	(5,096,043)	-
NET CHANGES IN FUND BALANCES						
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	21,937	447,620	4,565,458	5,035,015	(5,035,015)	
CHANGE IN NET POSITION						
					(207,489)	(207,489)
FUND BALANCES/NET POSITION:						
BEGINNING OF YEAR	86	115,039	(1,907)	113,218	(5,868,542)	(5,755,324)
END OF YEAR	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 22,023	\$ 562,659	\$ 4,563,551	\$ 5,148,233	\$ (11,111,046)	\$ (5,962,813)

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

SILVER PEAKS METROPOLITAN DISTRICT NO. 2

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

For the Year Ended December 31, 2018

	Original & Final		Variance
	Budget	Actual	Favorable (Unfavorable)
REVENUES			
Property taxes	\$ 48,828	\$ 48,830	\$ 2
Specific ownership taxes	4,883	3,753	(1,130)
Interest income	16	253	237
Total Revenues	53,727	52,836	(891)
EXPENDITURES			
Audit	5,500	4,250	1,250
Insurance	5,000	3,297	1,703
Legal	20,000	34,063	(14,063)
Directors' fees and payroll taxes	2,400	850	1,550
District management and accounting	12,000	8,707	3,293
Miscellaneous expenses	200	-	200
Treasurer's fees	732	732	-
Support services	1,000	-	1,000
Contingency	6,467	-	6,467
Emergency reserve	1,375	-	1,375
Total Expenditures	54,674	51,899	2,775
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(947)	937	1,884
OTHER FINANCING SOURCES			
Developer advances	-	21,000	21,000
Total Other Financing Sources	-	21,000	21,000
NET CHANGE IN FUND BALANCE	(947)	21,937	22,884
FUND BALANCE:			
BEGINNING OF YEAR	947	86	(861)
END OF YEAR	\$ -	\$ 22,023	\$ 22,023

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

SILVER PEAKS METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements
December 31, 2018

Note 1: Summary of Significant Accounting Policies

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

Definition of Reporting Entity

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

The District has entered into an intergovernmental agreement with Silver Peaks Metropolitan District No. 3-5 whereby certain revenues generated by Silver Peaks Metropolitan District Nos. 2 - 5 will be shared with Silver Peaks Metropolitan District No. 1.

The District's primary revenues are property taxes and transfers from District 1. The District is governed by an elected Board of Directors.

SILVER PEAKS METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2018

As required by GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District follows the GASB pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB sets forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency. The pronouncements also require including a possible component unit if it would be misleading to exclude it.

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

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

Basis of Presentation

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

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

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

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

SILVER PEAKS METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2018

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are collected.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The material sources of revenue subject to accrual are property taxes and interest. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is paid.

The District reports the following major governmental funds:

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

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

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

Budgetary Accounting

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

SILVER PEAKS METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2018

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

Fair Value of Financial Instruments

The District's financial instruments include cash and cash equivalents, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2018, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

Deposits and Investments

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

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a minimum number of bank accounts. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash.

Estimates

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any items that qualify for reporting under this category at December 31, 2018.

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

SILVER PEAKS METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements
December 31, 2018

Capital Assets

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

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the life of the assets are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable using the straight-line method. Depreciation on property that will remain assets of the District is reported on the Statement of Activities as a current charge. Improvements that will be conveyed to other governmental entities are classified as construction in progress and are not depreciated. Land and certain landscaping improvements are not depreciated. Depreciation expense of \$10,796 was recognized during 2018.

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

Parks and recreation	40 years
Landscaping improvements	20 years

Fees

The District imposes certain infrastructure fees on property within the District pursuant to a joint resolution with Silver Peaks Metropolitan Districts Nos. 1-5 as amended. The fees are required to be paid for an undeveloped lot on which a residential structure has not been constructed and a certificate of occupancy has not been issued. The District records the revenue when the fees are paid and received.

Property Taxes

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April 30 or if in equal installments, at the taxpayers' election, in February and June. Delinquent taxpayers are notified in July or August and the sales of the resultant tax liens on delinquent properties are generally held in November or December. The County Treasurer remits the taxes collected monthly to the District.

SILVER PEAKS METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2018

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows in the year they are levied and measurable since they are not normally available nor are they budgeted as a resource until the subsequent year. The deferred property taxes are recorded as revenue in the subsequent year when they are available or collected.

Long-Term Obligations

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

Fund Equity

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

Nonspendable Fund Balance

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

Restricted Fund Balance

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

The restricted fund balance in the General Fund represents Emergency Reserves that have been provided as required by Article X, Section 20 of the Constitution of the State of Colorado. A total of \$1,380 of the General Fund balance has been restricted in compliance with this requirement.

Committed Fund Balance

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

Assigned Fund Balance

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

SILVER PEAKS METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements
December 31, 2018

Unassigned Fund Balance

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

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

Net Position

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

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

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

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

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

Note 2: Cash and Investments

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

Statement of Net Position:

Cash and investments	\$ 37,315
Cash and investments – restricted	<u>5,086,082</u>
Total	<u>\$ 5,123,397</u>

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

Deposits with financial institutions	\$ 216,598
Investments - COLOTRUST	45,454
Investments - CSAFE	<u>4,861,345</u>
Total	<u>\$ 5,123,397</u>

SILVER PEAKS METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2018

Deposits

Custodial Credit Risk

The Colorado Public Deposit Protection Act, (“PDPA”) requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits. The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

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

Investments

Custodial and Concentration of Credit Risk

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

Interest Rate Risk

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

Credit Risk

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

Investment Valuation

Certain investments are measured at fair value within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District’s investments are not required to be categorized within the fair value hierarchy. COLOTRUST’s investment value is calculated using the net asset value method (NAV) per share and CSAFE’s investments value is calculated using the amortized cost method.

SILVER PEAKS METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2018

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

COLOTRUST

The local government investment pool, Colorado Local Government Liquid Asset Trust (“COLOTRUST”) is rated AAAM by Standard & Poor’s with a weighted average maturity of under 60 days. COLOTRUST is an investment trust/joint venture established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing COLOTRUST. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. COLOTRUST operates similarly to a money market fund with each share maintaining a value of \$1.00. COLOTRUST offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both investments consist of U.S. Treasury bills and notes and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. Designated custodian banks provide safekeeping and depository services to COLOTRUST. Substantially all securities owned by COLOTRUST are held by the Federal Reserve Bank in the accounts maintained for the custodian banks. The custodians’ internal records identify the investments owned by COLOTRUST. At December 31, 2018, the District had \$45,454 invested in COLOTRUST.

CSAFE

The local government investment pool Colorado Surplus Asset Fund Trust (“CSAFE”), is rated AAAM by Standard and Poor’s with a weighted average maturity of under 60 days. CSAFE records its investments at amortized cost and the District records its investments in CSAFE using the amortized cost method. CSAFE is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing CSAFE. The CSAFE is similar to a money market fund, with each share valued at \$1.00. CSAFE may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain money market funds, and highest rated commercial paper. A designated custodial bank serves as custodian for CSAFE’s portfolio pursuant to custodian agreements. The custodian acts as safekeeping agent for CSAFE’s investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodians’ internal records identify the investments owned by CSAFE. At December 31, 2018, the District had \$4,861,345 invested in CSAFE.

SILVER PEAKS METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements
December 31, 2018

Note 3: Capital Assets

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

	Balance 1/1/2018	Additions	Deletions	Balance 12/31/2018
Governmental Activities:				
Capital assets not being depreciated:				
Construction in process				
Water system	\$ 350,533	\$ -	\$ -	\$ 350,533
Storm sewer/drainage	395,875	-	-	395,875
Streets	1,247,450	-	-	1,247,450
Utilities	423,174	-	-	423,174
Parks and recreation	14,185	-	-	14,185
Total capital assets not being depreciated	<u>2,431,217</u>	<u>-</u>	<u>-</u>	<u>2,431,217</u>
Capital assets being depreciated:				
Parks and recreation	361,730	-	-	361,730
Landscaping improvements	35,045	-	-	35,045
Total capital assets being depreciated	396,775	-	-	396,775
Less accumulated depreciation	<u>(110,575)</u>	<u>(10,796)</u>	<u>-</u>	<u>(121,371)</u>
Net capital assets being depreciated	<u>286,200</u>	<u>(10,796)</u>	<u>-</u>	<u>275,404</u>
Governmental activities capital assets, net	<u>\$ 2,717,417</u>	<u>\$ (10,796)</u>	<u>\$ -</u>	<u>\$ 2,706,621</u>

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

Note 4: Long-Term Debt

A description of the long-term obligations as of December 31, 2018, is as follows:

\$7,590,000 General Obligation Limited Tax Bonds, Series 2018A and \$1,900,000 Subordinate General Obligation Limited Tax Bonds, Series 2018B

On October 4, 2018, the District issued \$7,590,000 of General Obligation Limited Tax Bonds, Series 2018A (“Series 2018A Bonds”), and \$1,900,000 of Subordinate General Obligation Limited Tax Bonds, Series 2018B (“Series 2018B Bonds”), dated October 4, 2018, for the purpose of, refunding the District’s Series 2006 Bonds, paying for a portion of the costs of designing, acquiring, constructing and installing certain Public Improvements, paying the costs of issuance of the Bonds, and, with respect to the Series 2018A Bonds only, funding the Senior Reserve Fund and funding a portion of interest to accrue on the Series 2018A Bonds.

SILVER PEAKS METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2018

The Series 2018A Bonds bear interest at rates ranging from 3.125% to 5.00%, payable semiannually on each June 1 and December 1, commencing on December 1, 2018. The Series 2018B Bonds bear interest at the rate of 7.25%, payable annually on December 15, commencing on December 15, 2018, to the extent that Pledged Revenue is available. The Series 2018A Bonds are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$1,000, in any order of maturity and in whole or partial maturities, commencing on December 1, 2026 upon payment of par, and accrued interest. The Series 2018B Bonds are subject to a mandatory sinking fund redemption from Subordinate Pledged Revenue, if any, on deposit in the subordinate Bond Fund, and are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$1,000, in any order of maturity and in whole or partial maturities, commencing on December 15, 2023, upon payment of par, accrued interest, and a redemption premium that ranges between 0% and 3%.

The Series 2018A Bonds are secured by the Senior Required Mill Levy, the Capital Fees, if any, the portion of the Specific Ownership Tax which is collected as a result of the Senior Required Mill Levy, and any other legally available moneys as determined by the District. The Series 2018A Bonds are also secured by the Senior Reserve Fund and the Senior Surplus Fund. The Series 2018B Bonds are secured by the Subordinate Required Mill Levy, the Subordinate Capital Fee Revenue, if any, the portion of the Specific Ownership Tax which is collected as a result of the Subordinate Required Mill Levy, any amount remaining in the Senior Surplus Fund after termination of the fund and any other legally available moneys as determined by the District.

General Obligation Limited Tax Bonds, Series 2006

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

SILVER PEAKS METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2018

The Series 2006 Bonds were general obligations of the District secured by and payable from pledged revenues, which consist primarily of ad valorem property taxes, and specific ownership taxes collected by the County and remitted to the District primarily on motor vehicle licensing. The Series 2006 Bonds were also secured by amounts collected pursuant to a System Development Fee Agreement, which obligates S.P. Lochbuie, LLC to make scheduled payments to District No. 1 for system development fees to the maximum cumulative amount of \$478,500, which amount shall be reduced to the extent fee revenue is collected by the District in the ordinary course of its operations and remitted to District No. 2 after the Series 2006 Bonds are issued, and S.P. Lochbuie, LLC agrees to issue its guaranty of the payment of the shortfall for application to the payment of the principal and interest on the Series 2006 Bonds. The agreement should be referenced for the specific details of the amounts to be paid thereunder.

On October 4, 2018 the Series 2006 Bonds were paid in full in conjunction with the issuance of the Series 2018A Bonds.

Advance and Reimbursement Agreements

The District and The Bromley Companies, Lochbuie Land, LLC., SP Lochbuie, Englewood Exchange and Theodore Shipman , collectively (“Prior Developer”) have agreed to recognize advances made by the Prior Developer to fund certain construction, maintenance and operating costs of the District pursuant to the Advance and Reimbursement Agreements (“A&R Agreement”). The District agreed to reimburse such advances, together with interest at the rate of 7% per annum, subject to annual appropriation and budget approval, from funds available within any fiscal year and not otherwise required for operations, capital improvements and debt service costs. On January 1, 2016, the District entered into various Assignment RE. Advance and Reimbursement Agreements with the Prior Developer, whereby all balances under the agreements were assigned to SP Lochbuie, L.L.C, a Colorado limited liability company. The balance due at December 31, 2018, is \$4,136,051 including accrued interest of \$1,476,191.

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

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

SILVER PEAKS METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2018

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

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

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

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

Facilities Funding and Acquisition Agreement

On August 2, 2016, the District entered into a Facilities Funding and Acquisition Agreement (“FFAA”) with Walton, WM Sub SILP, LLC a Colorado Limited Liability Company (“SILP”) and WUSF 5 Silver Peaks LLC, a Colorado Limited Liability Company (“WUSF”), whereby the District agreed to acquire from SILP improvements constructed by SILP or to reimburse SILP for funds advanced to the District for construction of public improvements subject to conditions set forth in the FFAA. On July 27, 2016 SILP provided notice to the District of its intent to construct the initial phase of these improvements. Because SILP commenced construction of the initial improvements prior to the date of the FFAA, the parties agree that the notice requirements required in the FFAA are not applicable with respect to the initial improvements.

SILVER PEAKS METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements
December 31, 2018

The District agreed to reimburse SILP for the costs of the improvements plus interest at 7% per annum. The parties further agree that no payment will be required of the District beyond legally available funds of the District for such payment as further described in the FFAA. In the event the District is unable to reimburse the SILP within 40 years of the date of the advance or acquisition, any amount of principal and accrued interest outstanding at such time will be deemed to be forever discharged and satisfied in full.

The following is a summary of the annual long-term debt principal and interest requirements for the Series 2018A Bonds. Due to the uncertainty in the timing of payments on the Series 2018B Bonds, no summary is presented.

	Principal	Interest	Total
2019	\$ -	\$ 322,644	\$ 322,644
2020	-	322,644	322,644
2021	105,000	322,644	427,644
2022	110,000	318,444	428,444
2023	125,000	314,044	439,044
2024-2028	760,000	1,490,069	2,250,069
2029-2033	1,025,000	1,344,969	2,369,969
2034-2038	1,380,000	1,106,250	2,486,250
2039-2043	1,900,000	712,250	2,612,250
2044-2047	2,185,000	238,400	2,423,400
	<u>\$ 7,590,000</u>	<u>\$ 6,492,357</u>	<u>\$ 14,082,357</u>

The following is an analysis of changes in long-term debt for the year ending December 31, 2018:

	Balance 1/1/2018	Additions	Deletions	Balance 12/31/2018	Current Portion
General Limited Tax General Obligation Bonds					
Series 2006	\$4,608,000	\$ -	\$4,608,000	\$ -	\$ -
Series 2018A	-	7,590,000	-	7,590,000	-
Series 2018B	-	1,900,000	-	1,900,000	-
Developer Advance -operations	5,000	21,000	-	26,000	-
Developer Advance -operations interest	-	1,940	-	1,940	-
Developer Advances	2,659,860	-	-	2,659,860	-
Developer Advance- accrued Interest	1,289,007	187,184	-	1,476,191	-
Total	<u>8,561,867</u>	<u>9,700,124</u>	<u>4,608,000</u>	<u>13,653,991</u>	<u>-</u>
Reissuance premium	-	193,043	1,507	191,536	-
	<u>\$8,561,867</u>	<u>\$9,893,167</u>	<u>\$4,609,507</u>	<u>\$13,845,527</u>	<u>\$ -</u>

SILVER PEAKS METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2018

Debt Authorization

As of December 31, 2018, the District had remaining voted debt authorization of approximately \$37,256,208. The District has not budgeted to issue debt during 2019. Per the District's Service Plan, the District can not issue debt in excess of \$27,000,000. The District was allocated an additional \$9,000,000 of debt authorization from District No. 1 as part of an intergovernmental agreement (see Note 6) and another additional \$7,090,000 of debt authorization from District No. 5 as part of the First Amendment to an intergovernmental agreement (see Note 6).

Note 5: Tax, Spending and Debt Limitations

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

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

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

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

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

SILVER PEAKS METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements
December 31, 2018

Note 6: Intergovernmental Agreements

Intergovernmental Agreement Regarding Storm Drainage

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

Interdistrict Regional Facilities Intergovernmental Agreement

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

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

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

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

SILVER PEAKS METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2018

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

Intergovernmental Agreement to Designate Funds

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

Note 7: Infrastructure Support Fee

On February 10, 2011, the District agreed to impose an infrastructure fee on undeveloped lots within the District. An “Undeveloped Lot” is a lot located within the District’s boundaries that has been approved by plat for a residential structure, but a structure has not yet been constructed and a certificate of occupancy has not been issued. The fees shall be due and payable on the first day of August 2011 and each August 1 thereafter, in the amount of \$200 per undeveloped lot until a certificate of occupancy has been issued. The Infrastructure Support Fee shall be waived on a dollar-for-dollar basis to the extent that the owner of such lot provides any developer advances to the District from August 2 of the year immediately preceding the imposition of the Infrastructure Support Fee to August 1 of the year the fee is imposed. The District’s Board decided not to impose the fee in 2018.

Note 8: Risk Management

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

SILVER PEAKS METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements
December 31, 2018

The District pays annual premiums to the Pool for auto, public officials' liability, and property and general liability coverage. In the event aggregated losses incurred by the Pool exceed its amounts recoverable from reinsurance contracts and its accumulated reserves, the District may be called upon to make additional contributions to the Pool on the basis proportionate to other members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

Note 9: Reconciliation of Government-Wide Financial Statements and Fund Financial Statements

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

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

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

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

SUPPLEMENTAL INFORMATION

SILVER PEAKS METROPOLITAN DISTRICT NO. 2

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - DEBT SERVICE FUND

For the Year Ended December 31, 2018

	Original & Final		Variance
	Budget	Actual	Favorable (Unfavorable)
REVENUES			
Property taxes	\$ 435,000	\$ 434,999	\$ (1)
Specific ownership taxes	43,500	33,429	(10,071)
IGA Transfer	180,000	240,000	60,000
Transfer from escrow	323,421	-	(323,421)
Interest income	500	6,058	5,558
Total Revenues	982,421	714,486	(267,935)
EXPENDITURES			
Bond issuance costs	131,738	216,798	(85,060)
Bond insurance	-	90,454	(90,454)
Bond interest expense	536,000	282,189	253,811
Paying agent fees	3,000	1,250	1,750
Treasurer's fees	6,525	6,527	(2)
Total Expenditures	677,263	597,218	80,045
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	305,158	117,268	(187,890)
OTHER FINANCING SOURCES (USES)			
Bond proceeds	4,425,000	4,839,900	414,900
Premium on Bonds	-	98,452	216,798
Payment to refunding agent	(4,618,304)	(4,608,000)	10,304
Transfers in	604,775	-	(604,775)
Transfers out	-	-	-
Total Other Financing Sources (Uses)	411,471	330,352	37,227
NET CHANGE IN FUND BALANCE	716,629	447,620	(150,663)
FUND BALANCE:			
BEGINNING OF YEAR	708,726	115,039	(593,687)
END OF YEAR	\$ 1,425,355	\$ 562,659	\$ (744,350)

SILVER PEAKS METROPOLITAN DISTRICT NO. 2

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

For the Year Ended December 31, 2018

	Original & Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES			
Interest income	\$ -	\$ 24,032	\$ 24,032
Total Revenues	<u>-</u>	<u>24,032</u>	<u>24,032</u>
EXPENDITURES			
Capital improvements	5,657,305	9,920	5,647,385
Cost of issuance	<u>161,013</u>	<u>193,345</u>	<u>(32,332)</u>
Total Expenditures	<u>5,818,318</u>	<u>203,265</u>	<u>5,615,053</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(5,818,318)	(179,233)	5,639,085
OTHER FINANCING SOURCES (USES)			
Bond proceeds	6,425,000	4,650,100	(1,774,900)
Premium on Bonds	-	94,591	94,591
Transfers out	<u>(604,775)</u>	<u>-</u>	<u>604,775</u>
Total Other Financing Sources (Uses)	<u>5,820,225</u>	<u>4,744,691</u>	<u>(1,075,534)</u>
NET CHANGE IN FUND BALANCE	1,907	4,565,458	4,563,551
FUND BALANCE:			
BEGINNING OF YEAR	<u>-</u>	<u>(1,907)</u>	<u>(1,907)</u>
END OF YEAR	<u>\$ 1,907</u>	<u>\$ 4,563,551</u>	<u>\$ 4,561,644</u>

SILVER PEAKS METROPOLITAN DISTRICT NO. 2

SUMMARY OF ASSESSED VALUATION, MILL LEVY AND PROPERTY TAXES COLLECTED

December 31, 2018

(Unaudited)

<u>Year Ended</u> <u>December 31,</u>	<u>Prior</u> <u>Year Assessed</u> <u>Valuation</u> <u>for Current</u> <u>Year Property</u> <u>Tax Levy</u>	<u>Mills Levied</u>		<u>Total Property Tax</u>		<u>Percent</u> <u>Collected</u> <u>to Levied</u>
		<u>General Fund</u>	<u>Debt Service</u>	<u>Levied</u>	<u>Collected</u>	
2011	\$ 3,629,690	0.000	55.063	\$ 199,862	\$ 222,577	111.37%
2012	\$ 3,960,360	6.118	55.063	\$ 242,298	\$ 242,299	100.00%
2013	\$ 4,448,020	6.118	55.063	\$ 272,134	\$ 270,344	99.34%
2014	\$ 3,894,190	6.118	55.063	\$ 238,251	\$ 238,230	99.99%
2015	\$ 3,899,550	6.118	55.063	\$ 238,578	\$ 238,577	100.00%
2016	\$ 5,122,580	6.118	55.063	\$ 313,405	\$ 313,400	100.00%
2017	\$ 5,329,550	6.118	55.063	\$ 326,067	\$ 327,004	100.29%
2018	\$ 7,198,530	6.783	60.429	\$ 483,828	\$ 483,829	100.00%
Estimated for year ending December 31, 2019	\$ 8,919,820	6.783	60.720	\$ 602,115		

NOTE

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