

**SOLA METROPOLITAN DISTRICT -
COMMERCIAL
Boulder County, Colorado**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2018

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YEAR ENDED DECEMBER 31, 2018**

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities and each major fund of Sola Metropolitan District - Commercial (the District), as of and for the year ended December 31, 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 Sola Metropolitan District - Commercial, as of December 31, 2018, and the respective changes in financial position thereof, and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Fiscal Focus Partners, LLC

Other Matters

Economic Dependency

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

Required Supplementary Information

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

Other Information

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

Fiscal Focus Partners, LLC

Greenwood Village, Colorado
October 3, 2019

BASIC FINANCIAL STATEMENTS

**SOLA METROPOLITAN DISTRICT - COMMERCIAL
STATEMENT OF NET POSITION
DECEMBER 31, 2018**

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| ASSETS | |
| Cash and Investments | \$ 9,426 |
| Cash and Investments - Restricted | 180,894 |
| Accounts Receivable | 11,940 |
| Prepaid Expenses | 10,000 |
| Property Taxes Receivable | 489,379 |
| Capital Assets, Net of Accumulated Depreciation | <u>3,100,456</u> |
| Total Assets | <u>3,802,095</u> |
| LIABILITIES | |
| Accounts Payable | 25,293 |
| Deposit | 1,000 |
| Payable to County Treasurer | 5,711 |
| Accrued Interest Payable | 25,900 |
| Noncurrent Liabilities: | |
| Due in Less Than One Year | 235,000 |
| Due in More Than One Year | <u>17,530,196</u> |
| Total Liabilities | <u>17,823,100</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Property Tax Revenue | <u>489,379</u> |
| Total Deferred Inflows of Resources | <u>489,379</u> |
| NET POSITION | |
| Net Investment in Capital Assets | (3,305,075) |
| Restricted For: | |
| Emergencies | 2,700 |
| Debt Service | 165,030 |
| Unrestricted | <u>(11,373,039)</u> |
| Total Net Position | <u><u>\$ (14,510,384)</u></u> |

See accompanying Notes to Basic Financial Statements.

**SOLA METROPOLITAN DISTRICT - COMMERCIAL
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018**

| | | Program Revenues | | | Net Revenue (Expense) and Change in Net Position |
|--|--------------|----------------------------|--|--|---|
| FUNCTIONS/PROGRAMS | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities |
| Primary Government: | | | | | |
| Government Activities: | | | | | |
| General Government | \$ 329,132 | \$ - | \$ 8,362 | \$ - | \$ (320,770) |
| Interest and Related Costs on Long-Term Debt | 1,396,904 | | 41,813 | | (1,355,091) |
| Total Governmental Activities | \$ 1,726,036 | \$ - | \$ 50,175 | \$ - | (1,675,861) |
| GENERAL REVENUES | | | | | |
| | | | | | 426,891 |
| | | | | | 23,505 |
| | | | | | 1,080 |
| | | | | | 23,880 |
| | | | | | 475,356 |
| CHANGE IN NET POSITION | | | | | |
| | | | | | (1,200,505) |
| | | | | | (13,309,879) |
| NET POSITION - END OF YEAR | | | | | |
| | | | | | \$ (14,510,384) |

See accompanying Notes to Basic Financial Statements.

**SOLA METROPOLITAN DISTRICT - COMMERCIAL
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2018**

| | General | Debt Service | Capital Projects | Total Governmental Funds |
|---|------------|-----------------|---------------------|--------------------------------|
| ASSETS | | | | |
| Cash and Investments | \$ 9,426 | \$ - | \$ - | \$ 9,426 |
| Cash and Investments - Restricted | 2,700 | 177,300 | 894 | 180,894 |
| Accounts Receivable | 1,990 | 9,950 | - | 11,940 |
| Prepaid Expense | 10,000 | - | - | 10,000 |
| Due from Other Funds | 13,280 | 8,430 | - | 21,710 |
| Property Taxes Receivable | 81,923 | 407,456 | - | 489,379 |
| Total Assets | \$ 119,319 | \$ 603,136 | \$ 894 | \$ 723,349 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS) | | | | |
| LIABILITIES | | | | |
| Accounts Payable | \$ 21,726 | \$ - | \$ 3,567 | \$ 25,293 |
| Deposit | - | - | 1,000 | 1,000 |
| Due to Other Funds | - | - | 21,710 | 21,710 |
| Payable to County Treasurer | 961 | 4,750 | - | 5,711 |
| Total Liabilities | 22,687 | 4,750 | 26,277 | 53,714 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Property Tax Revenue | 81,923 | 407,456 | - | 489,379 |
| Total Deferred Inflows of Resources | 81,923 | 407,456 | - | 489,379 |
| FUND BALANCES (DEFICITS) | | | | |
| Nonspendable: | | | | |
| Prepaid Expense | 10,000 | - | - | 10,000 |
| Restricted For: | | | | |
| Emergency Reserves | 2,700 | - | - | 2,700 |
| Debt Service | - | 190,930 | - | 190,930 |
| Unassigned | 2,009 | - | (25,383) | (23,374) |
| Total Fund Balances (Deficits) | 14,709 | 190,930 | (25,383) | 180,256 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits) | \$ 119,319 | \$ 603,136 | \$ 894 | |
| Amounts reported for governmental activities in the statement of net position are different because: | | | | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the funds. | | | | 3,100,456 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not recorded as liabilities in the funds. | | | | |
| Bonds Payable | | | | (10,023,892) |
| Bond Interest Payable | | | | (3,515,153) |
| Developer Advance Payable | | | | (3,178,022) |
| Accrued Interest on Developer Advances | | | | (1,074,029) |
| Net Position of Governmental Activities | | | | \$ (14,510,384) |

See accompanying Notes to Basic Financial Statements.

**SOLA METROPOLITAN DISTRICT - COMMERCIAL
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2018**

| | General | Debt Service | Capital Projects | Total Governmental Funds |
|---|------------------|-------------------|---------------------|--------------------------------|
| REVENUES | | | | |
| Property Taxes | \$ 71,163 | \$ 355,728 | \$ - | \$ 426,891 |
| Specific Ownership Taxes | 3,918 | 19,587 | - | 23,505 |
| Intergovernmental - SoLa Institutional | 8,362 | 41,813 | - | 50,175 |
| Investment Income | - | 1,068 | 12 | 1,080 |
| Copper Stone Fee Revenue | 3,980 | 19,900 | - | 23,880 |
| Total Revenues | <u>87,423</u> | <u>438,096</u> | <u>12</u> | <u>525,531</u> |
| EXPENDITURES | | | | |
| General, Administrative and Operations: | | | | |
| Accounting | 35,142 | - | - | 35,142 |
| Audit | 5,600 | - | - | 5,600 |
| Banking Fees | 40 | - | - | 40 |
| County Treasurer's Fee | 1,070 | 5,350 | - | 6,420 |
| District Management | 17,483 | - | - | 17,483 |
| Dues | 1,280 | - | - | 1,280 |
| Election | 3,336 | - | - | 3,336 |
| Insurance | 7,280 | - | - | 7,280 |
| Irrigation Repairs | 7,768 | - | - | 7,768 |
| Landscaping | 34,424 | - | - | 34,424 |
| Legal | 22,812 | - | 5,853 | 28,665 |
| Miscellaneous | 3,813 | - | - | 3,813 |
| Repairs and Maintenance | 6,762 | - | - | 6,762 |
| Tree Care | 20,594 | - | - | 20,594 |
| Utilities | 26,708 | - | - | 26,708 |
| Debt Service: | | | | |
| Paying Agent/Trustee Fees | - | 3,000 | - | 3,000 |
| Bond Interest | - | 310,800 | - | 310,800 |
| Capital Outlay: | | | | |
| Engineering/Project Management | - | - | 2,501 | 2,501 |
| Total Expenditures | <u>194,112</u> | <u>319,150</u> | <u>8,354</u> | <u>521,616</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (106,689) | 118,946 | (8,342) | 3,915 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Developer Advance | 179,300 | - | 28,870 | 208,170 |
| Total other financing sources (uses) | <u>179,300</u> | <u>-</u> | <u>28,870</u> | <u>208,170</u> |
| NET CHANGE IN FUND BALANCES | 72,611 | 118,946 | 20,528 | 212,085 |
| Fund Balances (Deficits) - Beginning of Year | <u>(57,902)</u> | <u>71,984</u> | <u>(45,911)</u> | <u>(31,829)</u> |
| FUND BALANCES (DEFICITS) - END OF YEAR | <u>\$ 14,709</u> | <u>\$ 190,930</u> | <u>\$ (25,383)</u> | <u>\$ 180,256</u> |

See accompanying Notes to Basic Financial Statements.

**SOLA METROPOLITAN DISTRICT - COMMERCIAL
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 - Governmental Funds | \$ | 212,085 |
| <p>Amounts reported for governmental activities in the statement of activities are different because:</p> | | |
| <p>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.</p> | | |
| Depreciation | | (126,666) |
| <p>The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p> | | |
| Current Year Developer Advance | | (208,170) |
| <p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p> | | |
| Accrued Interest on Bonds - Change in Liability | | (852,678) |
| Interest on Developer Advance | | (225,076) |
| | | (1,286,524) |
| Changes in Net Position of Governmental Activities | \$ | (1,200,505) |

See accompanying Notes to Basic Financial Statements.

**SOLA METROPOLITAN DISTRICT - COMMERCIAL
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) |
|---|---------------------------------|-------------------|---|
| REVENUES | | | |
| Property Taxes | \$ 73,488 | \$ 71,163 | \$ (2,325) |
| Specific Ownership Tax | 4,410 | 3,918 | (492) |
| Intergovernmental - SoLa Institutional | 9,420 | 8,362 | (1,058) |
| Investment Income | 50 | - | (50) |
| Copper Stone Fee Revenue | - | 3,980 | 3,980 |
| Total Revenues | 87,368 | 87,423 | 55 |
| EXPENDITURES | | | |
| Accounting | 42,000 | 35,142 | 6,858 |
| Audit | 5,600 | 5,600 | - |
| Banking Fees | 100 | 40 | 60 |
| Bond Issue Costs | 5,470 | - | 5,470 |
| County Treasurer's Fee | 1,100 | 1,070 | 30 |
| Directors' Fees | 1,500 | - | 1,500 |
| District Management | 22,000 | 17,483 | 4,517 |
| Dues | 1,500 | 1,280 | 220 |
| Election | 1,000 | 3,336 | (2,336) |
| Insurance | 6,000 | 7,280 | (1,280) |
| Irrigation Repairs | 8,000 | 7,768 | 232 |
| Landscaping | 50,000 | 34,424 | 15,576 |
| Legal | 30,000 | 22,812 | 7,188 |
| Miscellaneous | 500 | 3,813 | (3,313) |
| Repairs and Maintenance | 10,000 | 6,762 | 3,238 |
| Snow Removal | 10,000 | - | 10,000 |
| Tree Care | 10,230 | 20,594 | (10,364) |
| Tree/Plant Replacement | 15,000 | - | 15,000 |
| Utilities | 40,000 | 26,708 | 13,292 |
| | 260,000 | 194,112 | 65,888 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (172,632) | (106,689) | 65,943 |
| OTHER FINANCING SOURCES (USES) | | | |
| Developer Advance | 174,000 | 179,300 | 5,300 |
| Total Other Financing Sources (Uses) | 174,000 | 179,300 | 5,300 |
| NET CHANGE IN FUND BALANCE | 1,368 | 72,611 | 71,243 |
| Fund Balance (Deficit) - Beginning of Year | 1,746 | (57,902) | (59,648) |
| FUND BALANCE - END OF YEAR | \$ 3,114 | \$ 14,709 | \$ 11,595 |

See accompanying Notes to Basic Financial Statements.

**SOLA METROPOLITAN DISTRICT - COMMERCIAL
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 1 DEFINITION OF REPORTING ENTITY

SoLa Metropolitan District - Commercial (District), a quasi-municipal corporation and political subdivision of the State of Colorado, was organized on July 10, 2008, by order and decree of the Boulder County District Court, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District's service area is located entirely within the City of Lafayette, in Boulder County, Colorado. The District was organized in conjunction with SoLa Metropolitan District – Institutional District. The Districts collectively will undertake the financing and construction of the public improvements. The Districts operate under a Consolidated Service Plan approved by the City of Lafayette on April 1, 2008, which was amended and restated on May 23, 2017. The District shall have the power to provide the following types of services: finance, design, construction, acquisition, installation, and to the extent necessary, operation and maintenance of services and facilities for street improvements, safety protection, transportation, water, sanitation, and park and recreation services.

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

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Government-Wide and Fund Financial Statements

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

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

**SOLA METROPOLITAN DISTRICT - COMMERCIAL
NOTES TO 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 governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Depreciation is computed and recorded as an operating expense. Expenditures for property and equipment are shown as increases in assets, and redemption of bonds and notes are recorded as a reduction in liabilities.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes and specific ownership taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. The District determined that Developer advances are not considered as revenue susceptible to accrual. Expenditures, other than interest on long-term obligations are recorded when the liability is incurred or the long-term obligation is due.

The District reports the following major governmental funds:

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

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

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

**SOLA METROPOLITAN DISTRICT - COMMERCIAL
NOTES TO 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 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.

State Audit Law

Colorado Revised Statutes require that local governments submit audited financial statements for calendar year end by July 31, or September 30 if granted an extension, of the following year. The District was not in compliance with the statutory requirement.

Pooled Cash and Investments

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

Property Taxes

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

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

Capital Assets

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

**SOLA METROPOLITAN DISTRICT - COMMERCIAL
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

| | |
|------------------|----------|
| Streets | 30 Years |
| Parks and Trails | 25 Years |
| Detention Pond | 50 Years |
| Landscaping | 15 Years |

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 District's practice to use restricted resources first, then unrestricted resources as they are needed.

Fund Balance

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

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

**SOLA METROPOLITAN DISTRICT - COMMERCIAL
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity (Continued)

Fund Balance (Continued)

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.

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

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

Deficits

The Capital Projects Fund reported a deficit of \$25,383 as of December 31, 2018. This deficit is anticipated to be eliminated in 2019 through the receipt of developer advances.

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 | \$ 9,426 |
| Cash and Investments - Restricted | 180,894 |
| Total Cash and Investments | \$ 190,320 |

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

| | |
|--------------------------------------|------------|
| Deposits with Financial Institutions | \$ 115,053 |
| Investments | 75,267 |
| Total Cash and Investments | \$ 190,320 |

**SOLA METROPOLITAN DISTRICT - COMMERCIAL
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Deposits with Financial Institutions

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

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

At December 31, 2018, the District's cash deposits had a bank balance of \$125,284 and a carrying balance of \$115,053.

Investments

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

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

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

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

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

**SOLA METROPOLITAN DISTRICT - COMMERCIAL
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Fair Value Measurement and Application

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs. Investments not measured at fair value and not categorized include governmental money market funds (PFM Funds Governmental Select series), money market funds (generally held by Bank Trust Departments in their role as paying agent or trustee), CSAFE (which are recorded at amortized cost), and COLOTRUST (which are recorded at net asset value).

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

| <u>Investment</u> | <u>Maturity</u> | <u>Amount</u> |
|---|---------------------------------------|------------------|
| Morgan Stanley Institutional Liquidity Fund - Government | Weighted Average Less Than 41 Days | <u>\$ 75,267</u> |

Morgan Stanley Institutional Liquidity Fund - Government

During 2018, the debt service money and capital project escrow funds that were included in the trust accounts at UMB Corporate Trust Services (UMB) were invested in the Morgan Stanley Institutional Liquidity Fund - Government (MSILF Govt). This portfolio is an institutional mutual fund which invest in repurchase agreements, U.S. Government Agency debt, and U.S. Treasury debt with maturities of 41 days or less. The MSILF Govt is rated AAAM by Standard and Poor's and is not measured at fair value.

**SOLA METROPOLITAN DISTRICT - COMMERCIAL
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 4 CAPITAL ASSETS

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

| | Balance - December 31, 2017 | Increases | Decreases | Balance - December 31, 2018 |
|--|-----------------------------------|---------------------|-------------|-----------------------------------|
| Capital Assets, Being Depreciated: | | | | |
| Streets | \$ 1,925,353 | \$ - | \$ - | \$ 1,925,353 |
| Parks and Trails | 662,589 | - | - | 662,589 |
| Landscaping | 497,141 | - | - | 497,141 |
| Detention Pond | 142,039 | - | - | 142,039 |
| Total Capital Assets, Being Depreciated | 3,227,122 | - | - | 3,227,122 |
| Less Accumulated Depreciation For: | | | | |
| Streets | - | 64,178 | - | 64,178 |
| Parks and Trails | - | 2,841 | - | 2,841 |
| Landscaping | - | 26,504 | - | 26,504 |
| Detention Pond | - | 33,143 | - | 33,143 |
| Total Accumulated Depreciation | - | 126,666 | - | 126,666 |
| Total Capital Assets, Being Depreciated, Net | 3,227,122 | (126,666) | - | 3,100,456 |
| Governmental Activities - Capital Assets, Net | <u>\$ 3,227,122</u> | <u>\$ (126,666)</u> | <u>\$ -</u> | <u>\$ 3,100,456</u> |

At December 31, 2018, depreciation expense was charged to the general government function of the District in the amount of \$126,666.

**SOLA METROPOLITAN DISTRICT - COMMERCIAL
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 5 LONG-TERM OBLIGATIONS

The District's outstanding long-term obligations at December 31, 2018, were as follows:

| | Restated Balance - December 31, 2017 | Additions | Reductions | Balance - December 31, 2018 | Due Within One Year |
|---|---|---------------------|-------------|-----------------------------------|---------------------------|
| Governmental Activities: | | | | | |
| Senior Limited Tax Convertible Capital Appreciation Revenue Bonds | | | | | |
| Series 2012 | \$ 3,885,000 | \$ - | \$ - | \$ 3,885,000 | \$ - |
| Subordinate Convertible Capital Appreciation Revenue Bonds: | | | | | |
| Series 2009B | 3,253,892 | - | - | 3,253,892 | 120,000 |
| Series 2009C | 2,885,000 | - | - | 2,885,000 | 115,000 |
| Series 2009B Interest | 1,596,202 | 527,216 | - | 2,123,418 | - |
| Series 2009C Interest | 1,040,373 | 325,462 | - | 1,365,835 | - |
| Developer Advances - Operating | 946,193 | 179,300 | - | 1,125,493 | - |
| Developer Advances - Capital | 2,023,659 | 28,870 | - | 2,052,529 | - |
| Developer Advance Interest - Operating | 179,039 | 61,453 | - | 240,492 | - |
| Developer Advance Interest - Capital | 669,914 | 163,623 | - | 833,537 | - |
| | <u>\$ 16,479,272</u> | <u>\$ 1,285,924</u> | <u>\$ -</u> | <u>\$ 17,765,196</u> | <u>\$ 235,000</u> |

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

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

**SOLA METROPOLITAN DISTRICT - COMMERCIAL
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

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

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

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

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

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

**SOLA METROPOLITAN DISTRICT - COMMERCIAL
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Currently, pledged revenue of the District is not sufficient to pay when due the debt service with respect to the Series 2009B and 2009C Bonds. For so long as the District levies the Maximum Required Mill Levy, the inability of the District to pay the debt service requirements with respect to the Bonds when they come due does not constitute an event of default. To the extent principal of any Bond is not paid when due, such principal will remain outstanding until paid, and to the extent interest on any Bond is not paid when due, such interest will compound annually on each interest payment date at the interest rate borne by such Bond. At December 31, 2018, the accrued unpaid interest on the Series 2009B is \$2,123,418 and the accrued unpaid interest on the Series 2009C bonds is \$1,365,835.

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

| <u>Year Ending December 31,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------------------|----------------------|----------------------|----------------------|
| 2019 | \$ 235,000 | \$ 883,259 | \$ 1,118,259 |
| 2020 | 95,000 | 861,459 | 956,459 |
| 2021 | 125,000 | 852,609 | 977,609 |
| 2022 | 165,000 | 841,234 | 1,006,234 |
| 2023 | 195,000 | 826,534 | 1,021,534 |
| 2024-2028 | 1,365,000 | 3,830,845 | 5,195,845 |
| 2029-2033 | 2,265,000 | 3,085,345 | 5,350,345 |
| 2034-2038 | 4,443,892 | 1,853,045 | 6,296,937 |
| 2039-2041 | 1,135,000 | 186,800 | 1,321,800 |
| Total | <u>\$ 10,023,892</u> | <u>\$ 13,221,130</u> | <u>\$ 23,245,022</u> |

Debt Authorization

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

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

**SOLA METROPOLITAN DISTRICT - COMMERCIAL
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

As of December 31, 2018, the District had authorized but unissued general obligation indebtedness in the following amounts allocated for the following purposes:

| <u>Purpose</u> | <u>Amount Authorized 5/6/2008</u> | <u>Amount Authorized 5/8/2012</u> | <u>Total Authorized</u> |
|------------------------------|---|---|-----------------------------|
| Streets | \$ 17,000,000 | \$ 23,000,000 | \$ 40,000,000 |
| Water | 17,000,000 | 23,000,000 | 40,000,000 |
| Sanitation | 17,000,000 | 23,000,000 | 40,000,000 |
| Safety Protection | 17,000,000 | 23,000,000 | 40,000,000 |
| Public Transportation | 17,000,000 | 23,000,000 | 40,000,000 |
| Debt Refunding | 17,000,000 | 46,000,000 | 63,000,000 |
| Intergovernmental Contracts | 17,000,000 | 23,000,000 | 40,000,000 |
| Parks and Recreation | - | 23,000,000 | 23,000,000 |
| Mosquito Control | - | 23,000,000 | 23,000,000 |
| Fire Protection | - | 23,000,000 | 23,000,000 |
| Television Relay/Translation | - | 23,000,000 | 23,000,000 |
| Total | <u>\$ 119,000,000</u> | <u>\$ 276,000,000</u> | <u>\$ 395,000,000</u> |

| <u>Purpose</u> | <u>Total Authorized</u> | <u>Amount Used Series 2009B</u> | <u>Amount Used Series 2009C</u> | <u>Amount Used Series 2012</u> | <u>Remaining Authorization 2018</u> |
|------------------------------|-----------------------------|---|---|--|---|
| Streets | \$ 40,000,000 | \$ 2,017,715 | \$ 439,987 | \$ 2,809,530 | \$ 34,732,768 |
| Water | 40,000,000 | 71,325 | 579,096 | 290,641 | 39,058,938 |
| Sanitation | 40,000,000 | 105,560 | 1,079,091 | 25,000 | 38,790,349 |
| Safety Protection | 40,000,000 | - | - | - | 40,000,000 |
| Public Transportation | 40,000,000 | - | - | - | 40,000,000 |
| Debt Refunding | 63,000,000 | - | - | - | 63,000,000 |
| Intergovernmental Contracts | 40,000,000 | - | - | - | 40,000,000 |
| Parks and Recreation | 23,000,000 | - | - | - | 23,000,000 |
| Mosquito Control | 23,000,000 | - | - | - | 23,000,000 |
| Fire Protection | 23,000,000 | - | - | - | 23,000,000 |
| Television Relay/Translation | 23,000,000 | - | - | - | 23,000,000 |
| Total | <u>\$ 395,000,000</u> | <u>\$ 2,194,600</u> | <u>\$ 2,098,174</u> | <u>\$ 3,125,171</u> | <u>\$ 387,582,055</u> |

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

**SOLA METROPOLITAN DISTRICT - COMMERCIAL
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Developer Advance

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

Facilities Funding and Reimbursement Agreement

On December 20, 2011, the District and SoLa, Inc. (the Developer) entered into the Facilities Funding and Reimbursement Agreement 2011 – 2014, as amended on November 11, 2014, and as amended on November 15, 2017, to extend the term of the Agreement through December 31, 2047, pursuant to which the District agrees to reimburse the Developer for advances made to or on behalf of the District plus interest of 8% compounding annually for costs related to the construction of public improvements and organizational costs of the District and the Institutional District subject to limitations set forth in the Service Plan. As of December 31, 2018, outstanding advances under the agreement totaled \$2,052,529 of which accrued interest totaled \$833,537.

Operations Funding Agreement

On December 20, 2011, the District and the Developer entered into the 2012 – 2018 Operation Funding Agreement, as amended on May 16, 2017, to adjust the interest rate from 8% to 6%, pursuant to which the District agrees to reimburse the Developer for advances made to or on behalf of the District for operations, maintenance, and administrative expenses of the District, including advances made prior to 2012 plus 6% interest per annum until paid. As of December 31, 2018, outstanding advances under the agreement totaled \$1,125,493 and accrued interest totaled \$240,492.

NOTE 6 NET POSITION

The District has net position consisting of three components – net investment in capital assets, restricted, and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2018, the District had net investment in capital assets calculated as follows:

| | Governmental Activities |
|---|----------------------------|
| Net Investment in Capital Assets | |
| Capital Assets, Net | \$ 3,100,456 |
| Current Portion of Outstanding Long-Term Obligations | (91,791) |
| Noncurrent Portion of Outstanding Long-Term Obligations | (6,313,740) |
| Net Investment in Capital Assets | \$ (3,305,075) |

**SOLA METROPOLITAN DISTRICT - COMMERCIAL
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 6 NET POSITION (CONTINUED)

The restricted component of net position consists of assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. As of December 31, 2018, the District had restricted net position of \$2,600 for emergencies and \$165,030 for debt service.

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

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

NOTE 7 RELATED PARTY

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

NOTE 8 ECONOMIC DEPENDENCY

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

NOTE 9 RISK MANAGEMENT

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

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

**SOLA METROPOLITAN DISTRICT - COMMERCIAL
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 9 RISK MANAGEMENT (CONTINUED)

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

NOTE 10 TAX, SPENDING AND DEBT LIMITATIONS

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

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

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

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the Emergency Reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. At December 31, 2018, the District has not fully funded the Emergency Reserve.

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

**SOLA METROPOLITAN DISTRICT - COMMERCIAL
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 11 INTERGOVERNMENTAL AGREEMENTS

Facilities Funding, Construction and Operations Agreement

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

Senior Capital Pledge Agreement

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

SoLa Subdivision Agreement

The District has provided its consent to the Agreement: SoLa Subdivision/SoLa Subdivision SID dated January 21, 2012, by and between the City of Lafayette, Colorado and the Developer, which anticipates that the District will issue bonds to pay for completion of certain specified public improvements required under this agreement and sets forth a schedule for financing and completion of the same. On April 12, 2012, the District funded a City Escrow account in the amount of \$1,414,106 to pay for improvements required under this agreement. The Developers contributed additional amounts of \$54,505 in 2014 and \$85,500 in 2017. As of December 31, 2018, the District has incurred expenditures in the amount of \$1,553,492 under this agreement. At December 31, 2018, the balance in this account was \$894, which includes \$275 of interest earnings.

**SOLA METROPOLITAN DISTRICT - COMMERCIAL
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 12 DEVELOPMENT AGREEMENTS

Development Agreement – Murphy Public Improvements

The District and the City of Lafayette (City) entered into a Development Agreement with Murphy Oil USA, Inc. (Murphy) on December 16, 2013, establishing that the District shall construct certain city public improvements that must be completed prior to the City's willingness to grant a certificate of occupancy for any buildings constructed on Lot 2C, Filing 1 (the Property). In connection with this agreement, the District is required to establish an escrow account in the amount equal to 125% of the estimated improvements costs. The District deposited \$150,841 to the escrow account held with Land Title Guarantee Company. If and when the City initially accepts any of the Murphy Public Improvements, the City shall have the Escrow Agent transfer to the District any remaining funds in the escrow account, less the minimum warranty amount, which is 10% of the estimated costs of the improvements. There is a three-year warranty period on the improvements, and once expired, the balance of any remaining funds in the escrow account will be returned to the District. At December 31, 2018, the balance in this account was \$6,867.

NOTE 13 FEE PAY AGREEMENT

Copper Stone Fee Payment Agreement

On April 1, 2018, the District and SoLa Metropolitan District - Institutional (the Institutional District) entered into an agreement with Copper Stone Apartments, LLC, an entity exempt from property taxation, for the purpose of collecting a District Fee in substitution of a payment in lieu of taxes (PILOT). The annual amount of the District Fee is set forth in the agreement and is reasonably calculated in an amount estimated to be equal the revenue that would be derived from the annual Debt Service Mill Levy and the Operations Mill Levy imposed by the Institutional District. The agreement is effective commencing in tax collection year 2018 through tax collection year 2033. In 2018, the District recognized \$23,880 in revenue related to the agreement. At December 31, 2018, accounts receivable of \$11,940 related to the agreement remained outstanding.

NOTE 14 RESTATEMENT TO FINANCIAL STATEMENTS

The District restated the prior year's net position for amounts related to principal and interest payments related to the Operating Fund Agreement as well as to correctly reflect the interest rate adjustment from 8% per annum to 6% per annum in connection with the adoption of the Operating Fund Agreement amendment dated May 16, 2017 (see Note 5).

| | |
|---|-------------------------------|
| Net position as previously stated - December 31, 2017 | \$ (13,368,223) |
| Adjustment to correctly state Developer Advance | |
| Outstanding for payments made and interest adjustment | <u>58,344</u> |
| Net Position - restated December 31, 2017 | <u><u>\$ (13,309,879)</u></u> |

SUPPLEMENTARY INFORMATION

**SOLA METROPOLITAN DISTRICT - COMMERCIAL
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) |
|--|---------------------------------|-------------------|---|
| REVENUES | | | |
| Property Taxes | \$ 367,439 | \$ 355,728 | \$ (11,711) |
| Specific Ownership Tax | 22,050 | 19,587 | (2,463) |
| Intergovernmental - SoLa Institutional | 47,131 | 41,813 | (5,318) |
| Investment Income | 300 | 1,068 | 768 |
| Copper Stone Fee Revenue | - | 19,900 | 19,900 |
| Total Revenues | <u>436,920</u> | <u>438,096</u> | <u>1,176</u> |
| EXPENDITURES | | | |
| County Treasurer's Fees | 5,510 | 5,350 | 160 |
| Contingency | 1,690 | - | 1,690 |
| Bond Interest | 310,800 | 310,800 | - |
| Paying Agent/Trustee Fees | 3,000 | 3,000 | - |
| Total Expenditures | <u>321,000</u> | <u>319,150</u> | <u>1,850</u> |
| NET CHANGE IN FUND BALANCE | 115,920 | 118,946 | 3,026 |
| Fund Balance - Beginning of Year | <u>71,165</u> | <u>71,984</u> | <u>819</u> |
| FUND BALANCE - END OF YEAR | <u>\$ 187,085</u> | <u>\$ 190,930</u> | <u>\$ 3,845</u> |

**SOLA METROPOLITAN DISTRICT - COMMERCIAL
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) |
|---|---------------------------------|--------------------|---|
| REVENUES | | | |
| Investment Income | \$ - | \$ 12 | \$ 12 |
| Total Revenues | <u>-</u> | <u>12</u> | <u>12</u> |
| EXPENDITURES | | | |
| Legal | - | 5,853 | (5,853) |
| Engineering/Project Administration | 20,000 | 2,501 | 17,499 |
| Water/Storm/Sanitary Sewer Extension | 63,000 | - | 63,000 |
| Capital Outlay - 2014 | 1,402,841 | - | 1,402,841 |
| Contingency | 17,000 | - | 17,000 |
| Total Expenditures | <u>1,502,841</u> | <u>8,354</u> | <u>1,494,487</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (1,502,841) | (8,342) | 1,494,499 |
| OTHER FINANCING SOURCES (USES) | | | |
| Developer Advance | 1,502,841 | 28,870 | (1,473,971) |
| Total Other Financing Sources (Uses) | <u>1,502,841</u> | <u>28,870</u> | <u>(1,473,971)</u> |
| NET CHANGE IN FUND BALANCE | - | 20,528 | 20,528 |
| Fund Balance (Deficit) - Beginning of Year | <u>-</u> | <u>(45,911)</u> | <u>(45,911)</u> |
| FUND BALANCE (DEFICIT) - END OF YEAR | <u>\$ -</u> | <u>\$ (25,383)</u> | <u>\$ (25,383)</u> |

**SOLA METROPOLITAN DISTRICT - COMMERCIAL
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
DECEMBER 31, 2018**

| Year Ending December 31, | \$3,125,171 Series 2012 Senior Limited Property Tax Supported Convertible Capital Appreciation Revenue Bonds Conversion Date 12/1/2014 Principal at Conversion \$3,885,000 Interest Rate 8.0% Interest and Principal Payable December 1 | | |
|-----------------------------|---|--------------|--------------|
| | Principal | Interest | Total* |
| 2019 | \$ - | \$ 310,800 | \$ 310,800 |
| 2020 | - | 310,800 | 310,800 |
| 2021 | 20,000 | 310,800 | 330,800 |
| 2022 | 45,000 | 309,200 | 354,200 |
| 2023 | 65,000 | 305,600 | 370,600 |
| 2024 | 75,000 | 300,400 | 375,400 |
| 2025 | 85,000 | 294,400 | 379,400 |
| 2026 | 95,000 | 287,600 | 382,600 |
| 2027 | 105,000 | 280,000 | 385,000 |
| 2028 | 120,000 | 271,600 | 391,600 |
| 2029 | 130,000 | 262,000 | 392,000 |
| 2030 | 150,000 | 251,600 | 401,600 |
| 2031 | 160,000 | 239,600 | 399,600 |
| 2032 | 180,000 | 226,800 | 406,800 |
| 2033 | 195,000 | 212,400 | 407,400 |
| 2034 | 220,000 | 196,800 | 416,800 |
| 2035 | 240,000 | 179,200 | 419,200 |
| 2036 | 265,000 | 160,000 | 425,000 |
| 2037 | 285,000 | 138,800 | 423,800 |
| 2038 | 315,000 | 116,000 | 431,000 |
| 2039 | 345,000 | 90,800 | 435,800 |
| 2040 | 380,000 | 63,200 | 443,200 |
| 2041 | 410,000 | 32,800 | 442,800 |
| Total | \$ 3,885,000 | \$ 5,151,200 | \$ 9,036,200 |

*As a result of the District's inability to pay the debt service requirements on the Series 2009B and Series 2009C Bonds, the Debt Service Requirements to Maturity for the Series 2009B and Series 2009C Bonds are not presented here. For additional information on the long-term obligations of the District, see Note 5.

**SOLA METROPOLITAN DISTRICT - COMMERCIAL
SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED
DECEMBER 31, 2018**

| Year Ended December 31, | Prior Year Assessed Valuation for Current Year Property Tax Levy | Total Mills Levied | | Total Property Taxes | | Percent Collected to Levied |
|--|---|-----------------------|-----------------|----------------------|------------|-----------------------------------|
| | | General Operations | Debt Service | Levied | Collected | |
| 2014 | \$ 1,897,206 | 10.000 | 50.000 | \$ 113,832 | \$ 113,832 | 100.00 % |
| 2015 | 2,865,434 | 10.000 | 50.000 | 171,925 | 171,926 | 100.00 |
| 2016 | 4,031,725 | 10.000 | 50.000 | 241,903 | 241,903 | 100.00 |
| 2017 | 4,768,386 | 10.000 | 50.000 | 286,103 | 286,103 | 100.00 |
| 2018 | 7,178,642 | 10.237 | 51.185 | 440,927 | 426,891 | 96.82 |
| Estimated for Year Ending December 31, 2019 | \$ 8,149,117 | 10.053 | 50.000 | \$ 489,379 | | |

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