

SILVERSTONE METROPOLITAN DISTRICT NO.1

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

**SILVERSTONE METROPOLITAN DISTRICT NO.1
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2020**

INDEPENDENT AUDITORS' REPORT	1
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	3
STATEMENT OF ACTIVITIES	4
FUND FINANCIAL STATEMENTS	
BALANCE SHEET	5
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUND TO THE STATEMENT OF NET POSITION	6
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUND	7
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES	8
NOTES TO FINANCIAL STATEMENTS	9
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND	19



INDEPENDENT AUDITORS' REPORT

Board of Directors
Silverstone Metropolitan District No.1
Town of Frederick, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of Silverstone Metropolitan District No.1, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the entity'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.

Auditors' 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 auditors' 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 the major fund of Silverstone Metropolitan District No.1 as of December 31, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 19 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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



CliftonLarsonAllen LLP

Greenwood Village, Colorado
March 8, 2021

SILVERSTONE METROPOLITAN DISTRICT NO.1
STATEMENT OF NET POSITION
DECEMBER 31, 2020

	Governmental Activities
ASSETS	
Unrestricted Cash and Investments	\$ 15,479
Restricted Cash and Investments	1,317,726
Prepaid Items	3,059
Property Tax Receivable	67
Construction in Progress	166,086
Total Assets	<u>1,502,417</u>
LIABILITIES	
Current Liabilities Due in Less Than One Year:	
Accounts Payable and Retainage Payable	<u>167,158</u>
Total Liabilities	<u>167,158</u>
DEFERRED INFLOWS OF RESOURCES	
Property Tax Revenue	<u>67</u>
Total Deferred Inflows of Resources	<u>67</u>
NET POSITION	
Investment in Capital Assets	166,086
Restricted for Emergencies	65
Restricted for Capital Projects	1,166,522
Unrestricted	<u>2,519</u>
Total Net Position	<u><u>\$ 1,335,192</u></u>

See accompanying Notes to Financial Statements.

SILVERSTONE METROPOLITAN DISTRICT NO.1
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020

Functions/Programs	Expenses	Program Revenue Charges for Services	Net (Expense) Revenue and Changes in Net Position Governmental Activities
Governmental Activities:			
Public Works	\$ 10,810,892	\$ -	\$ (10,810,892)
General Government	91,321	-	(91,321)
	<u>\$ 10,902,213</u>	<u>\$ -</u>	<u>(10,902,213)</u>
General Revenues:			
Property Taxes			132
Specific Ownership Taxes			6
Net Investment Income			2,013
Intergovernmental Revenue -			
District No. 2			2,162,551
District No. 3			12,900
Total General Revenues			<u>2,177,602</u>
Change in Net Position			(8,724,611)
Net Position - Beginning of Year			<u>10,059,803</u>
Net Position - End of Year			<u>\$ 1,335,192</u>

See accompanying Notes to Financial Statements.

**SILVERSTONE METROPOLITAN DISTRICT NO.1
BALANCE SHEET
DECEMBER 31, 2020**

	General Fund
ASSETS	
Unrestricted Cash and Investments	\$ 15,479
Restricted Cash and Investments	1,317,726
Prepaid Items	3,059
Property Tax Receivable	67
Total Assets	<u>\$ 1,336,331</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	
LIABILITIES	
Accounts Payable and Retainage Payable	\$ 167,158
Total Liabilities	<u>167,158</u>
DEFERRED INFLOWS OF RESOURCES	
Property Tax Revenue	<u>67</u>
Total Deferred Inflows of Resources	67
FUND BALANCE	
Nonspendable	3,059
Restricted for Emergencies	65
Restricted for Capital Projects	1,166,522
Unassigned	(540)
Total Fund Balance	<u>1,169,106</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 1,336,331</u>

See accompanying Notes to Financial Statements.

**SILVERSTONE METROPOLITAN DISTRICT NO.1
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUND TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2020**

Total Fund Balance - Total Governmental Fund	\$ 1,169,106
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Amounts reported for governmental activities in the statement of net position
are different because:

Capital assets used in governmental activities are not financial resources
and, therefore, are not reported in the fund balance sheet:

Capital Assets, Not Being Depreciated	<u>166,086</u>
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Net Position of Governmental Activities	<u><u>\$ 1,335,192</u></u>
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See accompanying Notes to Financial Statements.

**SILVERSTONE METROPOLITAN DISTRICT NO.1
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – GOVERNMENTAL FUND
YEAR ENDED DECEMBER 31, 2020**

	General Fund
REVENUES	
Property Taxes	\$ 132
Specific Ownership Taxes	6
Net Investment Income	2,013
Intergovernmental - Silverstone	
Metropolitan District No. 2 and No. 3	2,175,451
Total Revenues	<u>2,177,602</u>
EXPENDITURES	
Current:	
Treasurer Fees	2
Professional Services	11,288
Accounting	27,510
Insurance	2,666
Letter of Credit	10,501
Legal	13,730
Intergovernmental - Silverstone	
Metropolitan Districts No. 2 and No. 3	23,520
Miscellaneous	2,104
Cash-in-Lieu of Raw Water Dedication	1,825,417
Capital Outlay	1,925,379
Total Expenditures	<u>3,842,117</u>
EXCESS OF REVENUE OVER EXPENDITURES	(1,664,515)
Fund Balance - Beginning of Year	<u>2,833,621</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 1,169,106</u></u>

See accompanying Notes to Financial Statements.

**SILVERSTONE METROPOLITAN DISTRICT NO.1
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND TO
THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020**

Net Change in Fund Balance - Total Governmental Fund	\$ (1,664,515)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental fund reports capital outlays as expenditures. However, for government activities, those capital outlays other than noncapitalizable items are shown in the statement of net position at cost.	
Capital Outlay	1,925,379
Transfers of capital improvements to other entities decrease net position in the statement of activities. This transaction is not reported in the governmental fund as it is not a current use of financial resources.	<u>(8,985,475)</u>
Change in Net Position of Governmental Activities	<u><u>\$ (8,724,611)</u></u>

See accompanying Notes to Financial Statements.

SILVERSTONE METROPOLITAN DISTRICT NO.1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 DEFINITION OF REPORTING ENTITY

Silverstone Metropolitan District No.1 (District) is a quasi-municipal corporation and political subdivision of the State of Colorado that was organized by order and decree of the District Court in Weld County on June 4, 2008. The District operates under a Consolidated Service Plan with Silverstone Metropolitan District No. 2 (District No. 2) and Silverstone Metropolitan District No. 3 (District No. 3) approved by the Town of Frederick (Town) on February 5, 2008. Pursuant to the Service Plan, District No. 2 and District No. 3, the financing districts, are intended to provide funding to the District. District No. 1, the operating district, is intended to manage the financial, construction and operation and maintenance of such improvements as well as the day-to-day operations and administrative management of all three of the Districts. The operating district will be economically dependent upon intergovernmental revenue received from the financing districts in future years.

The District has the power to provide water, sanitation, storm drainage, streets, traffic and safety controls, park and recreation improvements and other related improvements for the benefit of taxpayers and service users within the Districts' boundaries. The Service Plan requires the District to convey the constructed improvements to the Town or HOA for ownership and maintenance.

The District has no employees and all services are contracted.

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, including District No. 2, District No. 3, and the Town.

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. Governmental activities are normally supported by taxes and intergovernmental revenues.

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

SILVERSTONE METROPOLITAN DISTRICT NO.1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial 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 charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Construction in progress is shown as an increase in assets.

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 intergovernmental revenue and property taxes. Expenditures generally are recorded when a liability is incurred as under accrual accounting. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

The District reports the following major governmental fund:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government.

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.

SILVERSTONE METROPOLITAN DISTRICT NO.1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes

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

Property taxes are recorded initially as deferred inflows of resources in the year they are levied and measurable. The property tax revenues are recorded as revenue in the year they are available or collected.

Capital Assets

Capital assets consist of construction projects in progress that will be conveyed to the Town or HOA once completed. Therefore, no depreciation is calculated on these assets. Interest incurred during construction is not capitalized.

Fund Balance and Net Position

Net position is reported in the governmental activities and is classified as restricted, unrestricted, or net investment in capital assets. Restrictions of net position represent amounts that are not available for appropriation or are legally restricted. Net investment in capital assets includes the values of capital assets. As of December 31, 2020, fund balances of governmental funds are classified as follows:

Nonspendable – amounts that cannot be spent either because they are not spendable in form or because they are legally or contractually required to be maintained intact. This includes amounts that are not expected to be converted to cash, for example, prepaid amounts.

Restricted – amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation.

Committed – amounts that are subject to a purpose constraint imposed by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. Commitments may be established, modified or rescinded only through resolutions approved by the Board.

Assigned – amounts that are subject to a purpose constraint that represents an intended use established by the District in its budget process. The purpose of the assignment must be narrower than the purpose of the General Fund.

SILVERSTONE METROPOLITAN DISTRICT NO.1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance and Net Position (Continued)

Unassigned – represents the residual classification for the District's General Fund and could report a surplus or deficit. In 2020, the General Fund reported an unassigned fund balance of \$(540). The District receives transfers of property tax from Silverstone Metro District No. 2, which is levied for ongoing general operating activities.

Restricted Fund Balance

Emergency Reserves have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado (see Note 9). In compliance with this requirement, \$65 of the General Fund balance has been restricted. The District also had \$1,166,522 of fund balance restricted for Capital Projects.

The District's order of fund balance spending policy is to apply expenditures against restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance. The District reserves the right to selectively spend unassigned fund balance.

NOTE 3 CASH AND INVESTMENTS

Cash and investments reflected on the statement of net position as of December 31, 2020 consist of the following:

Cash Deposits	\$ 15,068
Cash Held in Escrow	1,317,726
Investments	411
Total Cash and Investments	<u><u>\$ 1,333,205</u></u>

Cash Deposits

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 equal to 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's cash deposits were covered under PDPA and not subject to custodial credit risk. At December 31, 2020, the District's cash deposits had a carrying balance of \$15,068.

SILVERSTONE METROPOLITAN DISTRICT NO.1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments

The District has not adopted a formal investment policy; however, it follows state statutes regarding investments. The District also follows investment policies in bond or note agreements when those agreements are more restrictive than state statutes. 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 disclosure requirements or subject to investment custodial credit risk for investments that are in the possession of another party.

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

As of December 31, 2020, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>
Colorado Surplus Asset Fund Trust *	Less than One Year	<u>\$ 411</u>

Colorado Surplus Asset Trust Fund *

As of December 31, 2020, the District had invested \$411 in the Colorado Surplus Asset Fund Trust, an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust is rated AAAM by Standard & Poor's and is valued at amortized cost. Based on the valuation method, additional disclosures are not required under GASB Statement No. 72.

SILVERSTONE METROPOLITAN DISTRICT NO.1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 4 CONSTRUCTION IN PROGRESS

An analysis of the changes in construction in progress for the year ended December 31, 2020 follows:

	Balance at January 1, 2020	Additions	Reductions	Balance at December 31, 2020
Construction in Progress	<u>\$ 7,226,182</u>	<u>\$ 1,925,379</u>	<u>\$ 8,985,475</u>	<u>\$ 166,086</u>

It is the policy of the Town to accept the maintenance responsibility for water, sanitation, traffic and safety controls, park and recreation improvements (except for a pool and associated landscaping), mosquito and pest control, transportation and other related improvements within the Town only after a probationary period following completion of construction. When the improvements enter the probationary period, the District removes the cost of construction from its statement of net position.

During 2020, major conveyances to the Town include public improvements associated with Filing 1 and Highway 52 Widening and Signal Improvements in the total amount of \$8,985,475.

NOTE 5 RELATED PARTY

Two of the four members of the Board of Directors are employees or are associated with Bellock Construction Company, construction manager and accountants for the District. During 2020, Districts No. 1, No. 2, and No. 3 had the same Board of Directors (see Note 7).

Construction Management Agreement

A construction management agreement was entered into during 2008 between the District and Bellock Construction Company. The agreement calls for Bellock Construction Company to provide management services for all activities related to construction projects to be completed within Silverstone Metropolitan Districts No. 1 and No. 2. The agreement expires on December 31 of each year, but is automatically extended for a successive annual period so long as sufficient funds have been appropriated, unless contrary action is taken.

Amounts paid to Bellock Construction Company during 2020 for construction and construction management were \$91,685 and \$97,477, respectively.

Accounting Services Agreement

An accounting services contract was entered into with Bellock Construction Company on July 24, 2008. Under this agreement, accounting services are provided to both District No. 1 and District No. 2 at the hourly rates of Bellock Construction Company employees. During 2020, the District incurred accounting services fees in the amount of \$27,510.

SILVERSTONE METROPOLITAN DISTRICT NO.1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 6 INTERGOVERNMENTAL REVENUES AND EXPENDITURES

The following intergovernmental revenue and expenses occurred during fiscal year ended December 31, 2020:

	Silverstone Metropolitan District No. 1	Silverstone Metropolitan District No. 2	Silverstone Metropolitan District No. 3	Total Revenues
Silverstone Metropolitan:				
District No. 1	\$ -	\$ 2,162,551	\$ 12,900	\$ 2,175,451
District No. 2	12,918	-	-	12,918
District No. 3	10,602	285,000	-	295,602
Total Expenditures	<u>\$ 23,520</u>	<u>\$ 2,447,551</u>	<u>\$ 12,900</u>	<u>\$ 2,483,971</u>

NOTE 7 INTERGOVERNMENTAL PLEDGE AGREEMENT

In order to facilitate the provision of the Improvements under the consolidated Service Plan of Silverstone Metropolitan Districts No. 1, No. 2, and No. 3, (The Districts) in a timely, efficient and cost-effective manner sufficient to serve the anticipated development within the Districts, District No. 2 shall issue (i) Limited Tax Revenue Bonds Series 2018A in the aggregate principal amount of \$5,500,000, and (ii) Subordinate Limited Tax Revenue Notes Series 2018B in the aggregate principal amount not to exceed \$11,000,000.

On January 1, 2019 Silverstone Metropolitan Districts No. 1, No. 2, and No. 3 entered into a pledge agreement outlining that the Districts shall be collectively liable for the repayment of the Bonds from a respective pledge of revenues available from the imposition of (50) mills, (subject to the change of the residential assessment ratio by the Colorado Legislature) by each District imposed on all taxable property within each District (the "Mill Levy Revenue"), and that such cost sharing allocation is fair and reasonably related to the relative benefit each District receives. Each District, while the Bonds are outstanding, shall annually levy and certify fifty (50) mills, (subject to the change of the residential assessment ratio by the Colorado Legislature) upon all taxable property within their boundaries. While the Bonds are outstanding, each District, after receipt of funds sufficient to pay its annual budgeted O&M Costs and Town IGA Costs, hereby agrees to annually pledge its share of the Bond repayment costs as may be funded from its Mill Levy Revenue (the "Pledged Revenue").

NOTE 8 DISTRICT FACILITIES CONSTRUCTION AND SERVICE AGREEMENT (SERVICE CONTRACT) AND OTHER AGREEMENTS

District Facilities Construction and Service Agreement

In order to implement the Service Plan, the District entered into an intergovernmental agreement with Districts No. 2 and No. 3. The agreement shall remain in full force and effect until such time as each of the terms and conditions have been performed in their entirety or until the agreement is terminated by mutual written agreement by the Districts.

SILVERSTONE METROPOLITAN DISTRICT NO.1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

**NOTE 8 DISTRICT FACILITIES CONSTRUCTION AND SERVICE AGREEMENT
(SERVICE CONTRACT) AND OTHER AGREEMENTS (CONTINUED)**

District Facilities Construction and Service Agreement (Continued)

The District is to construct the facilities benefiting all of the Districts and transfer them to the Town. Districts No. 2 and No. 3 will, to the extent that it is to benefit, pay the capital costs and the service costs of operation and maintenance of such facilities.

Districts No. 2 and No. 3 are required to fund, on an annual basis, the amount of actual service costs that it would be capable of funding through property tax revenue plus other fee revenue as determined in the annual budget. If the District disagrees as to the amount to be paid, then Districts No. 2 and No. 3 must pay District No. 1 the amount set forth in the annual budget. During fiscal year 2017, the Colorado legislature reduced the residential assessment ratio from 7.96% to 7.20% causing the property tax mill rate for general obligation bonds and service costs to increase from 50 mills to 55.275 mills. The residential assessment ratio decreased to 7.15% in 2019 causing the mills to increase to 55.663 for the taxes to be collected in 2020. During fiscal year 2020, the Gallagher Amendment was repealed. The residential assessment ratio will remain at 7.15%.

Warranty of Public Improvements

On December 14, 2018, the developer on behalf of the District was issued a letter of credit by Vectra Bank in the amount of \$683,890 for improvements to be constructed by the District for Filings 1, 2 and 3. The estimated costs of construction are \$3,419,449. At December 31, 2020, the balance of the line of credit was \$683,890.

Cash-in-Lieu Payment for Raw Water Dedication

On August 11, 2020, Silverstone Development Company entered into a Resolution with the Town of Frederick. The Resolution is for the Town to accept cash-in-lieu payments pending review of application for cash-in-lieu of a raw water dedication for Silverstone Subdivision Filings 1 and 2. The Town is currently assessing its raw water portfolio to determine whether it has sufficient non-potable water supplies and can approve the Developer and/or District's cash-in-lieu of raw water application, but such analysis may take a significant amount of time. Building permits cannot be issued until the Developer and/or District dedicates raw water and/or makes a cash-in-lieu payment for the raw water rights that are to be used in the irrigation of parks and open space in Filings 1 and 2. Therefore, while the Town reviews the cash-in-lieu of raw water application, the Town has agreed to accept cash-in-lieu payments for Colorado-Big Thompson Units (C-BT Units), which will provisionally cover the irrigation requirement for Silverstone Filings 1 and 2. The Town has further agreed that if the cash-in-lieu of raw water application is granted, either in whole or in part, the Town will give the Developer and/or District credit towards the cash-in-lieu of raw water application payment for any C-BT Units that are no longer required to satisfy the raw water requirement for Silverstone Filing 1 and 2. These C-BT Units will be returned to the Town's water portfolio. Any remaining credit, if any, shall be used by the Developer and/or District against any other potable or raw water dedication requirements owed to the Town by the Developer and/or District for future developments within the Town.

The total number of C-BT Units required to satisfy the total irrigation raw water requirement for Silverstone Filings 1 and 2 is 28.08. The cash-in-lieu price of C-BT Units at the time of the resolution was \$65,000 per units which equates to a payment of \$1,825,416.67 for sufficient C-BT Units to satisfy Silverstone Filing 1 and 2's raw water supply requirement of 16.85 acre-feet/year.

SILVERSTONE METROPOLITAN DISTRICT NO.1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

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) as of December 31, 2020. 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 during the past three years.

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

NOTE 10 TAX, SPENDING AND DEBT LIMITATIONS

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

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

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.

On May 6, 2008, a majority of the District's electors authorized the District to collect and spend or retain in a reserve all annual District revenue without regard to any limitations under TABOR.

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

REQUIRED SUPPLEMENTARY INFORMATION

SILVERSTONE METROPOLITAN DISTRICT NO.1
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED DECEMBER 31, 2020

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Property Taxes	\$ 132	\$ 132	\$ 132	\$ -
Specific Ownership Taxes	9	6	6	-
Net Investment Income	-	2,013	2,013	-
Intergovernmental - Silverstone				
Metropolitan Districts No. 2 and No. 3	35,000	2,685,451	2,175,451	(510,000)
Total Revenues	35,141	2,687,602	2,177,602	(510,000)
EXPENDITURES				
Current:				
Treasurer Fees	2	2	2	-
Professional Services	11,250	11,288	11,288	-
Accounting	35,000	27,510	27,510	-
Insurance	2,750	3,006	2,666	340
Letter of Credit	16,450	10,501	10,501	-
Legal	30,000	13,730	13,730	-
Intergovernmental - Silverstone				
Metropolitan Districts No. 2 and No. 3	14,550	533,520	23,520	510,000
Miscellaneous	5,080	1,764	2,104	(340)
Cash-in-Lieu of Raw Water Dedication	-	-	1,825,417	(1,825,417)
Capital Outlay	3,500,000	3,833,872	1,925,379	1,908,493
Total Expenditures	3,615,082	4,435,193	3,842,117	593,076
EXCESS REVENUES OVER (UNDER) EXPENDITURES	(3,579,941)	(1,747,591)	(1,664,515)	83,076
OTHER FINANCING SOURCES				
Developer Advances	750,000	-	-	-
Total Other Financing Sources	750,000	-	-	-
EXCESS REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	(2,829,941)	(1,747,591)	(1,664,515)	83,076
Fund Balances - Beginning of Year	3,080,795	3,080,795	2,833,621	(247,174)
FUND BALANCES - END OF YEAR	<u>\$ 250,854</u>	<u>\$ 1,333,204</u>	<u>\$ 1,169,106</u>	<u>\$ (164,098)</u>