

SILVER PEAKS METROPOLITAN DISTRICT NO. 2

Financial Statements

Year Ended December 31, 2021

with

Independent Auditor's Report

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

Independent Auditor's Report

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Silver Peaks Metropolitan District No. 2 (the "District"), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Silver Peaks Metropolitan District No. 2 as of December 31, 2021, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP), and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

Exercise professional judgment and maintain professional skepticism throughout the audit.

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.

Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control—related matters that we identified during the audit.

Other Matters

Required Supplemental Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States 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 opinions on the basic financial statements are not affected by this missing information.

Supplemental 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 supplemental information as listed in the table of contents is presented for the purposes of legal compliance and additional analysis and is not a required part of the basic financial statements. The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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, such information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Wipfli LLP

Wipfli LLP
Lakewood, Colorado

September 10, 2022

SILVER PEAKS METROPOLITAN DISTRICT NO. 2

BALANCE SHEET/STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
December 31, 2021

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS						
Cash and investments	\$ 163,208	\$ -	\$ -	\$ 163,208	\$ -	\$ 163,208
Cash and investments - restricted	1,436	1,282,274	-	1,283,710	-	1,283,710
Receivable - County Treasurer	323	2,903	-	3,226	-	3,226
Property taxes receivable	83,349	750,215	-	833,564	-	833,564
Prepaid expenses	2,473	-	-	2,473	-	2,473
Receivable from District No. 1		45,750	-	45,750	-	45,750
Bond insurance	-	-	-	-	76,368	76,368
Capital assets not being depreciated	-	-	-	-	7,195,239	7,195,239
Capital assets being depreciated, net	-	-	-	-	243,016	243,016
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>243,016</u>	<u>243,016</u>
Total Assets	<u>\$ 250,789</u>	<u>\$ 2,081,142</u>	<u>\$ -</u>	<u>\$ 2,331,931</u>	<u>7,514,623</u>	<u>9,846,554</u>
LIABILITIES						
Accounts payable	\$ 11,671	\$ -	\$ -	\$ 11,671	-	11,671
Accrued interest on bonds	-	-	-	-	338,649	338,649
Due to Other Districts	700	1,000	-	1,700	-	1,700
Long-term liabilities:						
Due within one year	-	-	-	-	110,000	110,000
Due in more than one year	-	-	-	-	14,662,551	14,662,551
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,662,551</u>	<u>14,662,551</u>
Total Liabilities	<u>12,371</u>	<u>1,000</u>	<u>-</u>	<u>13,371</u>	<u>15,111,200</u>	<u>15,124,571</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred property taxes	<u>83,349</u>	<u>750,215</u>	<u>-</u>	<u>833,564</u>	<u>-</u>	<u>833,564</u>
Total Deferred Inflows of Resources	<u>83,349</u>	<u>750,215</u>	<u>-</u>	<u>833,564</u>	<u>-</u>	<u>833,564</u>
FUND BALANCES/NET POSITION						
Fund Balances:						
Nonspendable:						
Prepays	2,473	-	-	2,473	(2,473)	-
Restricted:						
Emergencies	1,436	-	-	1,436	(1,436)	-
Debt service	-	1,329,927	-	1,329,927	(1,329,927)	-
Unassigned	<u>151,160</u>	<u>-</u>	<u>-</u>	<u>151,160</u>	<u>(151,160)</u>	<u>-</u>
Total Fund Balances	<u>155,069</u>	<u>1,329,927</u>	<u>-</u>	<u>1,484,996</u>	<u>(1,484,996)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 250,789</u>	<u>\$ 2,081,142</u>	<u>\$ -</u>	<u>\$ 2,331,931</u>		
Net Position:						
Restricted for:						
Emergencies					1,436	1,436
Debt service					991,278	991,278
Unrestricted					<u>(7,104,295)</u>	<u>(7,104,295)</u>
Total Net Position					<u>\$ (6,111,581)</u>	<u>\$ (6,111,581)</u>

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

SILVER PEAKS METROPOLITAN DISTRICT NO. 2

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

For the Year Ended December 31, 2021

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
EXPENDITURES						
Accounting and audit	\$ 8,935	\$ -	\$ -	\$ 8,935	\$ -	\$ 8,935
Insurance	4,029	-	-	4,029	-	4,029
Planning and engineering	890	-	-	890	-	890
Miscellaneous expenses	258	-	-	258	-	258
Treasurer's fees	1,164	10,480	-	11,644	-	11,644
Bond principal	-	105,000	-	105,000	(105,000)	-
Bond interest expense	-	494,644	-	494,644	(21,190)	473,454
Depreciation	-	-	-	-	10,796	10,796
Amortize bond insurance	-	-	-	-	4,460	4,460
Developer advances - interest	-	-	-	-	302,937	302,937
Total Expenditures	<u>15,276</u>	<u>610,124</u>	<u>-</u>	<u>625,400</u>	<u>192,003</u>	<u>817,403</u>
GENERAL REVENUES						
Property taxes	77,594	698,413	-	776,007	-	776,007
Specific ownership taxes	3,896	35,065	-	38,961	-	38,961
Interest income	63	578	-	641	-	641
Miscellaneous income	<u>1</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>-</u>	<u>1</u>
Total General Revenues	<u>81,554</u>	<u>734,056</u>	<u>-</u>	<u>815,610</u>	<u>-</u>	<u>815,610</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>66,278</u>	<u>123,932</u>	<u>-</u>	<u>190,210</u>	<u>(192,003)</u>	<u>(1,793)</u>
OTHER FINANCING SOURCES						
Transfers in/ (out)	<u>-</u>	<u>3,839</u>	<u>(3,839)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources	<u>-</u>	<u>3,839</u>	<u>(3,839)</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	66,278	127,771	(3,839)	190,210	(190,210)	
CHANGE IN NET POSITION					(1,793)	(1,793)
FUND BALANCES/NET POSITION:						
BEGINNING OF YEAR	<u>88,791</u>	<u>1,202,156</u>	<u>3,839</u>	<u>1,294,786</u>	<u>(7,404,574)</u>	<u>(6,109,788)</u>
END OF YEAR	<u>\$ 155,069</u>	<u>\$ 1,329,927</u>	<u>\$ -</u>	<u>\$ 1,484,996</u>	<u>\$ (7,596,577)</u>	<u>\$ (6,111,581)</u>

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

SILVER PEAKS METROPOLITAN DISTRICT NO. 2

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

For the Year Ended December 31, 2021

	Original & Final		Variance
	Budget	Actual	Favorable (Unfavorable)
REVENUES			
Property taxes	\$ 77,639	\$ 77,594	\$ (45)
Specific ownership taxes	7,764	3,896	(3,868)
Interest income	932	63	(869)
Miscellaneous income	-	1	1
Total Revenues	86,335	81,554	(4,781)
EXPENDITURES			
Accounting and audit	5,500	8,935	(3,435)
Insurance	4,000	4,029	(29)
Legal	20,000	-	20,000
Directors' fees and payroll taxes	2,400	-	2,400
District management and accounting	12,000	-	12,000
Planning and engineering	-	890	(890)
Miscellaneous expenses	200	258	(58)
Treasurer's fees	1,165	1,164	1
Support services	1,000	-	1,000
Contingency	116,518	-	116,518
Emergency reserve	1,358	-	1,358
Total Expenditures	164,141	15,276	148,865
NET CHANGE IN FUND BALANCE	(77,806)	66,278	144,084
FUND BALANCE:			
BEGINNING OF YEAR	77,806	88,791	10,985
END OF YEAR	\$ -	\$ 155,069	\$ 155,069

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

SILVER PEAKS METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2021

Note 1: Summary of Significant Accounting Policies

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

Definition of Reporting Entity

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

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

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

SILVER PEAKS METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2021

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

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

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

Basis of Presentation

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

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

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

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

SILVER PEAKS METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2021

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

The District reports the following major governmental funds:

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

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

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

Budgetary Accounting

Budgets are adopted on a non-GAAP basis for the governmental funds. In accordance with the State Budget Law of Colorado, the District's Board of Directors holds public hearings in the fall of each year to approve the budget and appropriate the funds for the ensuing year. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated. The appropriation is at the total fund expenditures level and lapses at year end. During 2021, the District amended its total appropriations in the Capital Project Fund from \$0 to \$3,839 primarily due to a transfer to the Debt Service Fund.

SILVER PEAKS METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2021

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

Fair Value of Financial Instruments

The District's financial instruments include cash and investments, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2021, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

Deposits and Investments

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

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

Estimates

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any items that qualify for reporting under this category at December 31, 2021.

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

SILVER PEAKS METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements
December 31, 2021

Capital Assets

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

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the life of the assets are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable using the straight-line method. Depreciation on property that will remain assets of the District is reported on the Statement of Activities as a current charge. Improvements that will be conveyed to other governmental entities are classified as construction in progress and are not depreciated. Land and certain landscaping improvements are not depreciated. Depreciation expense of \$10,796 was recognized during 2021.

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

Parks and recreation	40 years
Landscaping improvements	20 years

Fees

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

Property Taxes

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

SILVER PEAKS METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2021

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

Reissuance Premium and Bond Insurance

The reissuance premium and the prepaid bond insurance relating to the Series 2018A Bonds are being amortized over the term of the bonds using the interest method. Accumulated amortization of the reissuance premium and the bond insurance amounted to \$30,063 and \$14,086, respectively, at December 31, 2021.

Long-Term Obligations

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

Fund Equity

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

Nonspendable Fund Balance

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

Restricted Fund Balance

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

The restricted fund balance in the General Fund represents Emergency Reserves that have been provided as required by Article X, Section 20 of the Constitution of the State of Colorado. A total of \$1,436 of the General Fund balance has been restricted in compliance with this requirement.

The restricted fund balance in the Debt Service Fund in the amount of \$1,329,927 is restricted for the payment of the debt service costs associated with the Series 2018A Bonds (see Note 4).

SILVER PEAKS METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2021

Committed Fund Balance

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

Assigned Fund Balance

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

Unassigned Fund Balance

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

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

Net Position

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

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

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

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

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

SILVER PEAKS METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements
December 31, 2021

Note 2: Cash and Investments

As of December 31, 2021, cash and investments are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and investments	\$ 163,208
Cash and investments – restricted	<u>1,283,710</u>
Total	<u>\$ 1,446,918</u>

Cash and investments as of December 31, 2021, consist of the following:

Deposits with financial institutions	\$ 134,214
Investments - COLOTRUST	289,569
Investments - CSAFE	<u>1,023,135</u>
Total	<u>\$ 1,446,918</u>

Deposits

Custodial Credit Risk

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

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

Investments

Custodial and Concentration of Credit Risk

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

Interest Rate Risk

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

SILVER PEAKS METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2021

Credit Risk

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

Investment Valuation

Certain investments are measured at fair value within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District's investments are not required to be categorized within the fair value hierarchy. COLOTRUST's investment value is calculated using the net asset value method (NAV) per share and CSAFE's investments value is calculated using the amortized cost method.

As of December 31, 2021, the District had the following investments:

COLOTRUST

The local government investment pool, Colorado Local Government Liquid Asset Trust ("COLOTRUST"), is rated AAAM by Standard & Poor's with a weighted average maturity of under 60 days. COLOTRUST is an investment trust/joint venture established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. COLOTRUST operates similarly to a money market fund with each share maintaining a value of \$1.00. The COLOTRUST offers shares in three portfolios, one of which is COLOTRUST PLUS+. COLOTRUST PLUS+ may invest in U.S. Treasuries, government agencies, the highest-rated commercial paper, certain corporate securities, certain money market funds, and certain repurchase agreements, and limits its investments to those allowed by State statutes. Purchases and redemptions are available daily at a net asset value (NAV) of \$1.00. A designated custodial bank provides safekeeping and depository services to COLOTRUST in connection with the direct investment and withdrawal function of COLOTRUST. The custodian's internal records identify the investments owned by participating governments. There are no unfunded commitments and there is no redemption notice period. On December 31, 2021, the District had \$289,569 invested in COLOTRUST Plus+.

SILVER PEAKS METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements
December 31, 2021

CSAFE

The local government investment pool Colorado Surplus Asset Fund Trust (“CSAFE”), is rated AAAM by Standard and Poor’s with a weighted average maturity of under 60 days. CSAFE records its investments at amortized cost and the District records its investments in CSAFE using the amortized cost method. CSAFE is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing CSAFE. CSAFE is similar to a money market fund, with each share valued at \$1.00. CSAFE may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain money market funds, and highest rated commercial paper. A designated custodial bank serves as custodian for CSAFE’s portfolio pursuant to custodian agreements. The custodian acts as safekeeping agent for CSAFE’s investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodians’ internal records identify the investments owned by CSAFE. At December 31, 2021, the District had \$1,023,135 invested in CSAFE.

Note 3: Capital Assets

An analysis of the changes in capital assets for the year ended December 31, 2021, is as follows:

	Balance 1/1/2021	Additions	Deletions	Balance 12/31/2021
Governmental Activities:				
Capital assets not being depreciated:				
Construction in process				
Water system	\$ 5,114,555	\$ -	\$ -	\$ 5,114,555
Storm sewer/drainage	395,875	-	-	395,875
Streets	1,247,450	-	-	1,247,450
Utilities	423,174	-	-	423,174
Parks and recreation	14,185	-	-	14,185
Total capital assets not being depreciated	<u>7,195,239</u>	<u>-</u>	<u>-</u>	<u>7,195,239</u>
Capital assets being depreciated:				
Parks and recreation	361,730	-	-	361,730
Landscaping improvements	35,045	-	-	35,045
Total capital assets being depreciated	396,775	-	-	396,775
Less accumulated depreciation	(142,963)	(10,796)	-	(153,759)
Net capital assets being depreciated	<u>253,812</u>	<u>(10,796)</u>	<u>-</u>	<u>243,016</u>
Governmental activities capital assets, net	<u>\$ 7,449,051</u>	<u>\$ (10,796)</u>	<u>\$ -</u>	<u>\$ 7,438,255</u>

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

SILVER PEAKS METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements
December 31, 2021

Note 4: Long-Term Debt

A description of the long-term obligations as of December 31, 2021, is as follows:

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

On October 4, 2018, the District issued \$7,590,000 of General Obligation Limited Tax Bonds, Series 2018A (“Series 2018A Bonds”), and \$1,900,000 of Subordinate General Obligation Limited Tax Bonds, Series 2018B (“Series 2018B Bonds”), dated October 4, 2018, for the purpose of, refunding the District’s Series 2006 Bonds, paying for a portion of the costs of designing, acquiring, constructing and installing certain Public Improvements, paying the costs of issuance of the Bonds, and, with respect to the Series 2018A Bonds only, funding the Senior Reserve Fund and funding a portion of interest to accrue on the Series 2018A Bonds. The Series 2018A Bonds bear interest at rates ranging from 3.125% to 5.00%, payable semiannually on each June 1 and December 1, commencing on December 1, 2018. The Series 2018B Bonds bear interest at the rate of 7.25%, payable annually on December 15, commencing on December 15, 2018, to the extent that Pledged Revenue is available. The Series 2018A Bonds are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$1,000, in any order of maturity and in whole or partial maturities, commencing on December 1, 2026 upon payment of par, and accrued interest. The Series 2018B Bonds are subject to a mandatory sinking fund redemption from Subordinate Pledged Revenue, if any, on deposit in the subordinate Bond Fund, and are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$1,000, in any order of maturity and in whole or partial maturities, commencing on December 15, 2023, upon payment of par, accrued interest, and a redemption premium that ranges between 0% and 3%.

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

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

SILVER PEAKS METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements
December 31, 2021

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 110,000	\$ 318,444	\$ 428,444
2023	125,000	314,044	439,044
2024	130,000	309,044	439,044
2025	145,000	303,844	448,844
2026	150,000	298,044	448,044
2027-2031	915,000	1,406,280	2,321,280
2032-2036	1,220,000	1,222,125	2,442,125
2037-2041	1,675,000	885,000	2,560,000
2042-2046	2,245,000	436,800	2,681,800
2047	<u>770,000</u>	<u>30,800</u>	<u>800,800</u>
	<u>\$ 7,485,000</u>	<u>\$ 5,524,425</u>	<u>\$13,009,425</u>

Advance and Reimbursement Agreements

The District and The Bromley Companies, Lochbuie Land, LLC., SP Lochbuie, Englewood Exchange and Theodore Shipman, collectively (“Prior Developer”) have agreed to recognize advances made by the Prior Developer to fund certain construction, maintenance and operating costs of the District pursuant to the Advance and Reimbursement Agreements (“A&R Agreement”). The District agreed to reimburse such advances, together with interest at the rate of 7% per annum, subject to annual appropriation and budget approval, from funds available within any fiscal year and not otherwise required for operations, capital improvements and debt service costs. On January 1, 2016, the District entered into various Assignment RE. Advance and Reimbursement Agreements with the Prior Developer, whereby all balances under the agreements were assigned to SP Lochbuie, L.L.C, a Colorado limited liability company (“SPL”). The balance due at December 31, 2021, is \$3,136,502 including accrued interest of \$575,098.

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

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

SILVER PEAKS METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2021

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

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

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

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

Facilities Funding and Acquisition Agreement

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

SILVER PEAKS METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements
December 31, 2021

The District agreed to reimburse SILP for the costs of the improvements plus interest at 7% per annum. The parties further agree that no payment will be required of the District beyond legally available funds of the District for such payment as further described in the FFAA. In the event the District is unable to reimburse the SILP within 40 years of the date of the advance or acquisition, any amount of principal and accrued interest outstanding at such time will be deemed to be forever discharged and satisfied in full. The balance due at December 31, 2021, is \$2,054,665 including accrued interest of \$314,392.

The following is an analysis of changes in long-term debt for the year ending December 31, 2021:

	Balance 1/1/2021	Additions	Deletions	Balance 12/31/2021	Current Portion
General Limited Tax General Obligation Bonds:					
Series 2018A Bonds	\$ 7,590,000	\$ -	\$ 105,000	\$ 7,485,000	\$ 110,000
Series 2018B Bonds	1,900,000	-	-	1,900,000	-
Developer Advance - operations	26,000	-	-	26,000	-
Developer Advance - operations interest	5,585	1,820	-	7,405	-
Developer Advance - capital	4,301,677	-	-	4,301,677	-
Developer Advance- capital interest	588,373	301,117	-	889,490	-
Total	<u>14,411,635</u>	<u>302,937</u>	<u>105,000</u>	<u>14,609,572</u>	<u>110,000</u>
Reissuance premium	172,498	-	9,519	162,979	-
	<u>\$ 14,584,133</u>	<u>\$ 302,937</u>	<u>\$ 114,519</u>	<u>\$ 14,772,551</u>	<u>\$ 110,000</u>

Debt Authorization

As of December 31, 2021, the District had remaining voted debt authorization of \$37,256,208. The District has not budgeted to issue debt during 2022. Per the District’s Service Plan, the District cannot issue debt in excess of \$27,000,000. The District was allocated an additional \$9,000,000 of debt authorization from District No. 1 as part of an intergovernmental agreement (see Note 6) and another additional \$7,090,000 of debt authorization from District No. 5 as part of the First Amendment to an intergovernmental agreement (see Note 6).

Note 5: Tax, Spending and Debt Limitations

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

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

SILVER PEAKS METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2021

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

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

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

Note 6: Intergovernmental Agreements

Intergovernmental Agreement Regarding Storm Drainage

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

Interdistrict Regional Facilities Intergovernmental Agreement

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

SILVER PEAKS METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2021

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

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

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

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

Intergovernmental Agreement to Designate Funds

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

SILVER PEAKS METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2021

Note 7: Infrastructure Support Fee

On February 10, 2011, the District agreed to impose an infrastructure fee on undeveloped lots within the District. An “Undeveloped Lot” is a lot located within the District’s boundaries that has been approved by plat for a residential structure, but a structure has not yet been constructed and a certificate of occupancy has not been issued. The fees shall be due and payable on the first day of August 2011 and each August 1 thereafter, in the amount of \$200 per undeveloped lot until a certificate of occupancy has been issued. The Infrastructure Support Fee shall be waived on a dollar-for-dollar basis to the extent that the owner of such lot provides any developer advances to the District from August 2 of the year immediately preceding the imposition of the Infrastructure Support Fee to August 1 of the year the fee is imposed. The District’s Board decided not to impose the fee in 2021.

Note 8: Risk Management

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

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

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

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

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

SILVER PEAKS METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements
December 31, 2021

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

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

SUPPLEMENTAL INFORMATION

SILVER PEAKS METROPOLITAN DISTRICT NO. 2

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

For the Year Ended December 31, 2021

	Original & Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES			
Property taxes	\$ 698,822	\$ 698,413	\$ (409)
Specific ownership taxes	69,882	35,065	(34,817)
Interest income	<u>7,000</u>	<u>578</u>	<u>(6,422)</u>
Total Revenues	<u>775,704</u>	<u>734,056</u>	<u>(41,648)</u>
EXPENDITURES			
Bond principal	105,000	105,000	-
Bond interest expense	650,267	494,644	155,623
Paying agent fees	9,955	-	9,955
Treasurer's fees	<u>10,482</u>	<u>10,480</u>	<u>2</u>
Total Expenditures	<u>775,704</u>	<u>610,124</u>	<u>165,580</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>123,932</u>	<u>123,932</u>
OTHER FINANCING SOURCES (USES)			
Transfers in/ (out)	<u>-</u>	<u>3,839</u>	<u>3,839</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>3,839</u>	<u>3,839</u>
NET CHANGE IN FUND BALANCE	-	127,771	127,771
FUND BALANCE:			
BEGINNING OF YEAR	<u>1,022,800</u>	<u>1,202,156</u>	<u>179,356</u>
END OF YEAR	<u>\$ 1,022,800</u>	<u>\$ 1,329,927</u>	<u>307,127</u>

SILVER PEAKS METROPOLITAN DISTRICT NO. 2

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

For the Year Ended December 31, 2021

	<u>Original</u> <u>Budget</u>	<u>Final</u> <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES				
Interest income	\$ -	\$ -	\$ -	\$ -
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES				
Capital improvements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	-	-
OTHER FINANCING SOURCES (USES)				
Transfers in/ (out)	<u>-</u>	<u>(3,839)</u>	<u>(3,839)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>(3,839)</u>	<u>(3,839)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	-	(3,839)	(3,839)	-
FUND BALANCE:				
BEGINNING OF YEAR	<u>-</u>	<u>3,839</u>	<u>3,839</u>	<u>-</u>
END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SILVER PEAKS METROPOLITAN DISTRICT NO. 2

SUMMARY OF ASSESSED VALUATION, MILL LEVY AND PROPERTY TAXES COLLECTED

December 31, 2021

Collection Year Ended <u>December 31,</u>	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied		Total Property Tax		Percent Collected to Levied
		<u>General Fund</u>	<u>Debt Service</u>	<u>Levied</u>	<u>Collected</u>	
2011	\$ 3,629,690	0.000	55.063	\$ 199,862	\$ 222,577	111.37%
2012	\$ 3,960,360	6.118	55.063	\$ 242,298	\$ 242,299	100.00%
2013	\$ 4,448,020	6.118	55.063	\$ 272,134	\$ 270,344	99.34%
2014	\$ 3,894,190	6.118	55.063	\$ 238,251	\$ 238,230	99.99%
2015	\$ 3,899,550	6.118	55.063	\$ 238,578	\$ 238,577	100.00%
2016	\$ 5,122,580	6.118	55.063	\$ 313,405	\$ 313,400	100.00%
2017	\$ 5,329,550	6.118	55.063	\$ 326,067	\$ 327,004	100.29%
2018	\$ 7,198,530	6.783	60.429	\$ 483,828	\$ 483,829	100.00%
2019	\$ 8,919,820	6.783	60.720	\$ 602,115	\$ 602,116	100.00%
2020	\$ 11,248,240	6.796	61.170	\$ 764,498	\$ 766,946	100.32%
2021	\$ 11,424,260	6.796	61.170	\$ 776,461	\$ 776,007	99.94%
Estimated for year ending December 31, 2022	\$ 12,264,430	6.796	61.170	\$ 833,564		

NOTE

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