

SILVERSTONE METROPOLITAN DISTRICT NO. 2
Weld County, Colorado

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2023

**SILVERSTONE METROPOLITAN DISTRICT NO. 2
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YEAR ENDED DECEMBER 31, 2023**

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

Independent Auditor's Report

Opinions

We have audited the accompanying financial statements of the governmental activities and the general fund of SilverStone Metropolitan District No. 2 (the "District"), as of and for the year ended December 31, 2023, 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 the general fund of SilverStone Metropolitan District No. 2 as of December 31, 2023, 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.

Other Information

Management is responsible for the other information included in our report. The other information, as listed in the table of contents, does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and, accordingly, we do not express an opinion or provide any assurance on them.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Wipfli LLP

Wipfli LLP
Denver, Colorado

September 27, 2024

BASIC FINANCIAL STATEMENTS

SILVERSTONE METROPOLITAN DISTRICT NO. 2
STATEMENT OF NET POSITION
DECEMBER 31, 2023

	Governmental Activities
ASSETS	
Cash and Investments	\$ 21,947
Receivable from County Treasurer	1,180
Property Taxes Receivable	618,969
Capital Assets, Not Being Depreciated	300,000
Total Assets	942,096
LIABILITIES	
Due to Silverstone Metro District No. 1	10,000
Accrued Interest Payable	25,208
Noncurrent Liabilities:	
Due in More Than One Year	16,994,709
Total Liabilities	17,029,917
DEFERRED INFLOWS OF RESOURCES	
Property Tax Revenue	618,969
Total Deferred Inflows of Resources	618,969
NET POSITION	
Unrestricted	(16,706,790)
Total Net Position	\$ (16,706,790)

See accompanying Notes to Basic Financial Statements.

SILVERSTONE METROPOLITAN DISTRICT NO. 2
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2023

	Charges for Services	Program Revenues Operating Grants and Contributions	Capital Contributions	Net Revenues (Expenses) and Change in Net Position
FUNCTIONS/PROGRAMS				
Governmental Activities:				
General Government	\$ 1,638,605	\$ 12,440	\$ -	\$ (1,626,165)
Interest and Related Costs on Long-Term Debt	899,647	-	-	(899,647)
	\$ 2,538,252	\$ 12,440	\$ -	(2,525,812)
GENERAL REVENUES				
Property Taxes				382,617
Specific Ownership Taxes				16,454
Interest Income				6,380
Total General Revenues				405,451
				(2,120,361)
CHANGE IN NET POSITION				
Net Position - Beginning of Year				(14,586,429)
NET POSITION - END OF YEAR				\$ (16,706,790)

See accompanying Notes to Basic Financial Statements.

**SILVERSTONE METROPOLITAN DISTRICT NO. 2
BALANCE SHEET
GOVERNMENTAL FUND
DECEMBER 31, 2023**

	General	Total Governmental Fund
ASSETS		
Cash and Investments	\$ 21,947	\$ 21,947
Receivable from County Treasurer	1,180	1,180
Property Tax Receivable	618,969	618,969
Total Assets	\$ 642,096	\$ 642,096
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES		
LIABILITIES		
Due to Silverstone Metro District No. 1	\$ 10,000	\$ 10,000
Total Liabilities	10,000	10,000
DEFERRED INFLOWS OF RESOURCES		
Deferred Property Tax Revenue	618,969	618,969
Total Deferred Inflows of Resources	618,969	618,969
FUND BALANCES		
Unassigned	13,127	13,127
Total Fund Balances	13,127	13,127
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 642,096	
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital Assets, Not Being Depreciated		300,000
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds Payable		(5,500,000)
Notes Payable		(8,991,473)
Bond Interest Payable		(25,208)
Note Interest Payable		(2,503,236)
Net Position of Governmental Activities		\$ (16,706,790)

See accompanying Notes to Basic Financial Statements.

SILVERSTONE METROPOLITAN DISTRICT NO. 2
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
YEAR ENDED DECEMBER 31, 2023

	General Fund	Total Governmental Fund
REVENUES		
Property Taxes	\$ 382,617	\$ 382,617
Specific Ownership Taxes	16,454	16,454
Interest Income	6,380	6,380
Transfers from Silverstone Metro District No. 1	12,440	12,440
Total Revenues	417,891	417,891
EXPENDITURES		
General and Administrative:		
Accounting	2,464	2,464
Audit	9,975	9,975
County Treasurer's Fees	5,742	5,742
Dues and Memberships	483	483
Insurance	1,906	1,906
Legal	1,813	1,813
Transfers to Silverstone Metro District No. 1	1,616,222	1,616,222
Debt Service:		
Bond Interest - Series 2018A	302,500	302,500
Total Expenditures	1,941,105	1,941,105
EXCESS REVENUES OVER (UNDER) EXPENDITURES	(1,523,214)	(1,523,214)
OTHER FINANCING SOURCE		
Note Issuance	1,526,222	1,526,222
Total Other Financing Source	1,526,222	1,526,222
NET CHANGE IN FUND BALANCE	3,008	3,008
Fund Balance - Beginning of Year	10,119	10,119
FUND BALANCE - END OF YEAR	\$ 13,127	\$ 13,127

See accompanying Notes to Basic Financial Statements.

**SILVERSTONE METROPOLITAN DISTRICT NO. 2
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, 2023**

Net Change in Fund Balance - Total Governmental Fund	\$	3,008
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Amounts reported for governmental activities in the statement of activities are different because:

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of government funds. Neither transaction, however, has any effect on net position.

Note Issuance		(1,526,222)
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Accrued Interest Payable - Change in Liability		<u>(597,147)</u>
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Change in Net Position of Governmental Activities		<u><u>\$ (2,120,361)</u></u>
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**SILVERSTONE METROPOLITAN DISTRICT NO. 2
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2023**

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ 386,912	\$ 386,912	\$ 382,617	\$ (4,295)
Specific Ownership Taxes	19,346	17,000	16,454	(546)
Interest Income	-	6,500	6,380	(120)
Other Revenue	-	11,831,946	-	(11,831,946)
Transfers from Silverstone Metro District No. 1	19,250	12,500	12,440	(60)
Total Revenues	<u>425,508</u>	<u>12,254,858</u>	<u>417,891</u>	<u>(11,836,967)</u>
EXPENDITURES				
General and Administrative:				
Accounting	10,000	2,500	2,464	36
Audit	2,500	10,000	9,975	25
County Treasurer's Fees	5,804	5,804	5,742	62
Dues and Memberships	-	500	483	17
Insurance	2,250	2,250	1,906	344
Legal	2,500	2,500	1,813	687
Miscellaneous	2,000	-	-	-
Transfers to Silverstone Metro District No. 1	85,000	1,642,000	1,616,222	25,778
Contingency	-	11,831,946	-	11,831,946
Debt Service:				
Bond Interest - Series 2018A	302,500	302,500	302,500	-
Total Expenditures	<u>412,554</u>	<u>13,800,000</u>	<u>1,941,105</u>	<u>11,858,895</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	12,954	(1,545,142)	(1,523,214)	21,928
OTHER FINANCING SOURCE				
Note Issuance	-	1,526,222	1,526,222	-
Total Other Financing Source	<u>-</u>	<u>1,526,222</u>	<u>1,526,222</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	12,954	(18,920)	3,008	21,928
Fund Balance - Beginning of Year	<u>6,352</u>	<u>20,000</u>	<u>10,119</u>	<u>(9,881)</u>
FUND BALANCE - END OF YEAR	<u>\$ 19,306</u>	<u>\$ 1,080</u>	<u>\$ 13,127</u>	<u>\$ 12,047</u>

See accompanying Notes to Basic Financial Statements.

SILVERSTONE METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1 DEFINITION OF REPORTING ENTITY

Silverstone Metropolitan District No. 2 (the 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. 1 (District No. 1) and Silverstone Metropolitan District No. 3 (District No. 3) approved by the Town of Frederick (the Town) on February 5, 2008. Pursuant to the Service Plan, the District and District No. 3, the financing districts, are intended to provide funding to District No. 1. 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. On August 8, 2023 the Town approved an Amended and Restated Service Plan for District No. 3, dated July 26, 2023, pursuant to which District No. 3 obtained its own service plan, separated from the 2008 Consolidated Service Plan, and is no longer a financing district.

District No. 1 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 homeowners association (HOA) for ownership and maintenance.

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. 1, District No. 3, and the Town.

The District has no employees, and contracts for all of its management and professional services.

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.

SILVERSTONE METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

The effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues. The statement of net position reports all financial and capital resources of the District. The difference between the assets and the sum of liabilities and deferred inflows is reported as net position.

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

The major sources of revenue susceptible to accrual are property taxes, specific ownership taxes, and facility fees. All other revenue items are considered to be measurable and available only when cash is received by the District. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is due.

The District reports the following major governmental fund:

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

SILVERSTONE METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

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

The District amended its budget for the year ended December 31, 2023.

Pooled Cash and Investments

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

Property Taxes

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the 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 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, net of estimated uncollectible taxes, are recorded initially as deferred inflows of resources in the year they are levied and measurable. The unearned property tax revenues are recorded as revenue in the year they are available or collected.

Capital Assets

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

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

SILVERSTONE METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Inflows of Resources

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

Fund Equity

Net Position

For government-wide presentation purposes when both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

Fund Balance

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

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

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

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

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

SILVERSTONE METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Equity (Continued)

Fund Balance (Continued)

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

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

NOTE 3 CASH AND INVESTMENTS

Cash and investments as of December 31, 2023 are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and Investments	\$ 21,947
Total Cash and Investments	\$ 21,947

Cash and investments as of December 31, 2023 consist of the following:

Deposits with Financial Institutions	\$ 9,106
Investments	12,841
Total Cash and Investments	\$ 21,947

Deposits with Financial Institutions

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

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

At December 31, 2023, the District had a bank and carrying balance of \$9,106.

**SILVERSTONE METROPOLITAN DISTRICT NO. 2
 NOTES TO BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2023**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments.

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

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

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

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

As of December 31, 2023, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted-Average Under 60 Days	\$ 12,841

SILVERSTONE METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

CSAFE

The District invested in the Colorado Surplus Asset Fund Trust (CSAFE) (the Trust), which 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 the Trust. The Trust currently offers two portfolios – CSAFE CASH FUND and CSAFE CORE.

CSAFE CASH FUND operations 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, any security allowed under CRS 24-75-601.

CSAFE CORE, a variable Net Asset Value (NAV) Local Government Investment Pool, offers weekly liquidity and is managed to approximate a \$2.00 transactional share price. CSAFE CORE may invest in securities authorized by CRS 24-75-601, including U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies, highest rated commercial paper, and any security allowed under CRS 24-75-601.

A designated custodial bank serves as custodian for CSAFE's portfolio pursuant to a custodian agreement. 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 custodian's internal records segregate investments owned by CSAFE. CSAFE CASH FUND is rated AAmmf and CSAFE CORE is rated AAaf/S1 by Fitch Ratings. CSAFE records its investments at amortized cost and the District records its investments in CSAFE using the amortized cost method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

SILVERSTONE METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 4 CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2023 follows:

	Balance - December 31, 2022	Increases	Decreases	Balance at December 31, 2023
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Construction in Progress	\$ 300,000	\$ -	\$ -	\$ 300,000
Total Capital Assets, Not Being Depreciated	<u>\$ 300,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 300,000</u>

On December 20, 2019, Silverstone Metropolitan District No. 2 entered into a Relinquishment of Surface Rights Agreement with K.P. Kauffman Company, Inc. (KPK) regarding two specific oil and gas sites operated by KPK. The total consideration to be paid to KPK by the District for KPK's relinquishment, extinguishment or restriction of its Surface Rights in "Section 36", Township 2 North, Range 68 West of the PM, county of Weld, state of Colorado) is \$300,000 (\$150,000 per well). At the initial closing on January 29, 2020, the District paid \$150,000 of the consideration as a partial payment. The remaining balance of \$150,000 (\$75,000 per well) was paid on July 1, 2020 for the State #17 well and August 17, 2020 for the State #15 well upon completing the process of plugging the wells. The \$300,000 paid to KPK for surface rights was recorded as an addition to Construction in Progress and will be reclassified to land upon completion of the real property transfer to the District.

Agreement Regarding Relinquishment of Surface Rights

On January 22, 2020, Silverstone Metropolitan District No. 2 entered into an agreement with Richmond American Homes of Colorado, Inc., regarding payment for costs to plug and abandon State #17 well. Richmond American Homes owns the property surrounding State #17 and the well property. Upon execution of the Agreement, Richmond American Homes paid the District \$75,000. Upon commencement of the plug and abandon activities, Richmond American Homes paid an additional \$75,000 to the District, a total of \$150,000 to plug and abandon the well. Upon completion of the well activities, the District shall convey title to the well property, via special warranty deed, to Richmond American Homes. As of December 31, 2023, the title has not yet been conveyed to Richmond American Homes.

SILVERSTONE METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 5 LONG-TERM OBLIGATIONS

The following is an analysis of changes in the District’s long-term obligations for the year ended December 31, 2023:

	Balance at December 31, 2022	Additions	Reductions	Balance at December 31, 2023	Due Within One Year
Private Placements:					
Limited Tax Revenue Bonds - Series 2018A	\$ 5,500,000	\$ -	\$ -	\$ 5,500,000	\$ -
Limited Tax Revenue Notes - Series 2018B	7,465,251	1,526,222	-	8,991,473	-
Accrued Interest On:					
Limited Tax Revenue Notes - Series 2018B	1,906,089	597,147	-	2,503,236	-
Total	<u>\$ 14,871,340</u>	<u>\$ 2,123,369</u>	<u>\$ -</u>	<u>\$ 16,994,709</u>	<u>\$ -</u>

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

Series 2018A Limited Tax Revenue Bonds

On January 7, 2019, the District issued \$5,500,000 of Limited Tax Revenue Bonds (the Bonds). On April 28, 2022, the District issued the First Amendment to the Series 2018A Resolution for the purpose of extending the maturity date from December 1, 2024 to December 1, 2027, and to terminate the Pledge Agreement. The termination of the Pledge Agreement, which was entered into on January 1, 2019 between the District, District No. 1, and District No. 3, eliminates amounts received from District No. 1 and District No. 3 which was a component of the Pledged Revenues securing the bonds. The Pledge Agreement was terminated on July 25, 2022.

The Bonds bear interest at a rate of 5.50% payable on June 1 and December 1 to the registered owners of the Bonds from their date of delivery to maturity on each interest payment. The Series 2018A Bonds did not involve a public offering, and the bonds were issued for the purpose of funding the projects under the Service Plan, funding capitalized interest on the Bonds for a period of three years, and paying the costs of issuance of the Bonds. The Bonds constitute limited tax revenue bond obligations of the District as provided herein. The Bonds, together with the interest, shall be payable solely from and to the extent of the Pledged Revenues, which was redefined with the First Amendment to the Series 2018A Resolution on April 28, 2022. Pledge Revenues consist of (i) amounts collected by the District from the imposition of the Required Mill Levy, (ii) revenues derived from specific ownership taxes imposed by the District, and (iii) any other legally available amounts designated by the District at its discretion, as may be permitted under the Service Plan. The Bonds shall constitute an irrevocable lien upon the Pledged Revenues. Additionally, a guaranty agreement dated January 1, 2019 was made by Silverstone Development Company, Inc. in favor of the bond holders. The agreement states that in the case of the failure or inability of the District to pay any guaranteed obligation when due, the Guarantor irrevocably and unconditionally agrees to pay the amounts due.

**SILVERSTONE METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Series 2018A Limited Tax Revenue Bonds (Continued)

The 2018A Limited Tax Revenue Bonds will mature as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ -	\$ 302,500	\$ 302,500
2025	-	302,500	302,500
2026	-	302,500	302,500
2027	5,500,000	277,292	5,777,292
Total	<u>\$ 5,500,000</u>	<u>\$ 1,184,792</u>	<u>\$ 6,684,792</u>

Series 2018B Limited Tax Revenue Notes

On January 7, 2019, the District issued Limited Tax Revenue Notes (the Notes) aggregating a maximum of \$11,000,000 par value, and the Notes will mature on December 1, 2048. The Series 2018B Notes were issued to Silverstone Development Company, Inc. On April 28, 2022, the District issued the First Amendment to the Series 2018B Resolution for the purpose of terminating the Pledge Agreement between the Districts.

The Notes are issued as draw-down Notes. The Notes are issued in Authorized Denominations equal to the principal amount of the Notes as of any given date which shall be equal to (i) the total amount of principal advanced, less (ii) any payment of principal on the Notes received by the registered owner thereof. The Limited Tax Revenue Notes bear an interest rate of 8% payable on each December 1, commencing on December 1, 2019 to the extent of the ability of subordinate revenues. The Notes are subordinate, limited revenue obligations of the District payable solely from the Subordinate Pledged Revenue, after payment of any outstanding Series 2018A Bonds, and the District's current and annual reasonable operation, maintenance and administrative obligations and reasonable budgetary reserves. The bonds constitute and irrevocable lien upon the Subordinate Pledged Revenue, and due to the limited nature of the Subordinate Pledged Revenue, failure to pay principal or interest on the bonds when due shall not constitute an event of default.

In 2019, the 2018B Note was issued for \$4,047,500, with additional draws of \$246,000 during the year. In 2020, the total additional draws on the 2018B Note were \$2,551,751. In 2021, the total additional draws on the 2018B Note were \$255,000. During 2022, there were additional draws on the 2018B Note throughout the year, totaling \$365,000. During 2023, there were additional draws on the 2018B Note throughout the year, totaling \$1,526,222. The outstanding balance on the 2018B Note at year-end is \$8,991,473. The District incurred \$597,147 of interest expense for the year ended December 31, 2023.

SILVERSTONE METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Authorized Debt

On May 6, 2008, the District voters approved \$120,000,000 of revenue obligation debt at and interest rate not to exceed 18% per annum. At December 31, 2023, the unissued indebtedness of \$105,508,527 for parks and recreation, streets and traffic controls, water, sewer and storm drainage, and safety or refunding the obligations issued for such purposes. In the future, the District may issue a portion or all of the remaining authorized but unissued general obligation debt for purposes of providing public improvements to support development as it occurs within the District's service area.

NOTE 6 NET POSITION

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

The District has a deficit in unrestricted net position. The deficit is a result of the District being responsible for the repayment of bonds and notes issued for public improvements owned by or conveyed to other governmental entities.

NOTE 7 DISTRICT AGREEMENTS

District Facilities Construction and Service Agreement

In order to implement the Service Plan, the District entered into intergovernmental agreement with Districts No. 1 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.

District No. 1 is to construct the facilities benefiting all of the Districts and transfer them to the Town. The District and District No. 3 will, to the extent that they are to benefit, pay the capital costs and the service costs of operation and maintenance of such facilities.

The District and District 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 Districts disagree as to the amount to be paid, then the District and District No. 3 must pay District No. 1 the amount set forth in the annual budget.

In July 2023, District No. 3 approved its removal as a party to this intergovernmental agreement. In October 2023, the District and District No. 1 approved the removal of District No. 3 as a party to this intergovernmental agreement.

NOTE 8 RELATED PARTY

The Developer of the property which constitutes the District is Silverstone Development Company, Inc. (the Developer). The Notes are held by the Developer.

SILVERSTONE METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

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

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

NOTE 10 TAX, SPENDING, AND DEBT LIMITATIONS

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

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

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

The District transfers its net operating revenue to District No. 1. Therefore, the Emergency Reserves related to the District's revenue are captured in the financial statements of District No. 1.

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 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.

OTHER INFORMATION

**SILVERSTONE METROPOLITAN DISTRICT NO. 2
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
DECEMBER 31, 2023**

<u>Bonds and Interest Maturing in the Year Ending December 31,</u>	\$5,500,000 Limited Tax Revenue Bonds Series 2018A Interest Rate 5.50% Interest Payable June 1 and December 1 Principal Payable December 1		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ -	\$ 302,500	\$ 302,500
2025	-	302,500	302,500
2026	-	302,500	302,500
2027	5,500,000	277,292	5,777,292
Total	\$ 5,500,000	\$ 1,184,792	\$ 6,684,792

SILVERSTONE METROPOLITAN DISTRICT NO. 2
SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED
DECEMBER 31, 2023

Year Ended December 31,	Assessed Valuation	Total Mills Levied	Total Property Taxes		Percent Collected to Levied
		General Operations	Levied	Collected	
2019	\$ 571,670	55.275	\$ 31,599	\$ 31,599	100.00 %
2020	535,100	55.663	29,785	29,785	100.00 %
2021	1,224,880	55.663	68,180	69,362	101.73 %
2022	2,692,550	55.663	149,875	149,879	100.00 %
2023	6,761,830	57.220	386,912	382,617	98.89 %
Estimated for Year Ending December 31, 2024	\$ 9,373,340	66.035	\$ 618,969		

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