

SILVERSTONE METROPOLITAN DISTRICT NO.1

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

**SILVERSTONE METROPOLITAN DISTRICT NO.1
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YEAR ENDED DECEMBER 31, 2017**

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of Silverstone Metropolitan District No.1, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Silverstone Metropolitan District No.1 as of December 31, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison information on pages 3-7 and page 23 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



CliftonLarsonAllen LLP

Greenwood Village, Colorado
March 1, 2018

**SILVERSTONE METROPOLITAN DISTRICT NO.1
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**

The discussion and analysis is designed to provide an analysis of the District's financial condition and operating results and to inform the reader on the District's financial issues and activities.

The Management's Discussion and Analysis (MD & A) should be read in conjunction with the District's financial statements.

Financial Highlights

- The net position of the District increased by \$56,781 in 2017, to \$860,316.
- Budgeted expenditures exceeded actual expenditures by \$3,305,280 principally due to lower than projected capital expenditures.

Overview of the Financial Statements

Management's discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The basic financial statements, presented on pages 8-21 are comprised of three components: 1) Government-wide financial statements, 2) Fund financial statements, and 3) Notes to the basic financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves, presented on page 23.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader of the District's basic financial statements a broad overview of the financial activities in a manner similar to a private sector business. The government-wide financial statements include the statement of net position and the statement of activities.

The statement of net position presents information about all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The difference is reported as the net position. Over time, changes in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the net position of the District changed during the current fiscal year. Changes in net position are recorded in the statement of activities when the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement even though the resulting cash flow may be recorded in a future period.

The government-wide financial statements consolidate governmental activities that are supported from taxes and intergovernmental revenues. Governmental activities consolidate governmental funds including the general fund. The government-wide financial statements can be found on pages 8-9.

**SILVERSTONE METROPOLITAN DISTRICT NO.1
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**

Fund Financial Statements

Fund financial statements are designed to demonstrate compliance with finance-related legal requirements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for special objectives. The District uses governmental funds to account for its activity.

Governmental funds account for essentially the same information reported in the governmental activities of the government-wide financial statements. However, unlike the government-wide statements, the governmental fund financial statements focus on near-term financial resources and fund balances. Such information may be useful in evaluating financing requirements in the near term.

Since the governmental funds and the governmental activities report information using the same functions, it is useful to compare the information presented. Because the focus of each report differs, reconciliations are provided on the fund financial statements to assist the reader in comparing the near-term requirements with the long-term needs.

All of the District's activities are reported in a single governmental fund, the general fund, which focuses on how money flows into and out of that fund and the balance left at year-end available for spending in future periods.

The District adopts an annual budget for the governmental fund. A budgetary comparison schedule for the general fund is included in the required supplementary information.

The basic governmental fund financial statements can be found on pages 10-13 of this report.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes can be found on pages 14-21 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also contains required supplementary information concerning the District's budgetary comparisons. Required supplementary information can be found on page 23 of this report.

**SILVERSTONE METROPOLITAN DISTRICT NO.1
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**

Government-wide Financial Analysis

Government-wide Net Position

The assets of the District are classified as current assets and capital assets. Cash and investments are current assets. These assets are available to provide resources for the near-term operations of the District.

Capital assets are used in the operations of the District. These assets represent the construction in progress of the District. Capital assets increased by \$707,869 during the current year. No assets were conveyed in 2017.

Current and noncurrent liabilities are classified based on anticipated liquidation either in the near-term or in the future. Current liabilities include accounts payable and current portion of long-term debt. The liquidation of current liabilities is anticipated to be either from current available resources, current assets or new resources that become available during fiscal year 2018.

The assets of the primary government activities exceed liabilities and deferred inflows by \$860,316, with an unrestricted net position of \$13,436 and net investment in capital assets of \$846,785. The District has \$95 restricted for emergencies as required by Article X, Section 20 of the Constitution of the State of Colorado.

**Government-wide Total Assets as Compared to
Total Liabilities, Deferred Inflows of Resources and Total Net Position:**

	Net Position	
	2017	2016
Assets:		
Current	\$ 28,810	\$ 679,003
Construction in Process	846,785	138,916
Total Assets	875,595	817,919
Liabilities:		
Accounts Payable and Retainage Payable	12,643	11,563
Total Liabilities	12,643	11,563
Deferred Inflows of Resources:		
Property Tax Revenue	2,636	2,821
Total Deferred Inflows of Resources	2,636	2,821
Net Position:		
Net Investment in Capital Assets	846,785	138,916
Restricted for Emergencies	95	266
Unrestricted	13,436	664,353
Total Net Position	\$ 860,316	\$ 803,535

**SILVERSTONE METROPOLITAN DISTRICT NO.1
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**

Government-wide Activities

All of the District's programs and services are reported as governmental activities. Government activities increased the net position of the District by \$56,781. The details of this increase in net position are shown in the following schedule:

The District's Changes in Net Position

	Governmental Activities	
	2017	2016
Revenues:		
Program Revenue		
Charges for Services	\$ 2,415	\$ 1,056,269
General Revenue:		
Property Taxes	2,821	8,289
Specific Ownership Taxes	219	488
Intergovernmental - Silverstone Metropolitan District No. 2	100,000	-
Net Investment Income	119	105
Total Revenue	105,574	1,065,151
Expenses:		
Governmental Activities:		
Public Works	7,044	1,108,390
General Government	41,749	36,326
Total Expense	48,793	1,144,716
Total Change in Net Position	56,781	(79,565)
Net Position - Beginning of Year	803,535	883,100
Net Position - End of Year	\$ 860,316	\$ 803,535

Key elements of the increase in net position for governmental activities are as follows:

- Intergovernmental revenue increased by \$100,000, primarily because of increased transfers from Silverstone Metropolitan District No. 2 (District No. 2) for fiscal year 2017.
- Capital project expenditures decreased by \$1,101,346 due to a project with the Town of Fredrick being completed in fiscal year 2016 and minimal warranty costs in fiscal year 2017 in the amount of \$7,044.

**SILVERSTONE METROPOLITAN DISTRICT NO.1
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**

Financial Analysis of the District's Governmental Fund

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

All of the District's activity is reported in a governmental fund, which focuses on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine where there are more or fewer financial resources that can be spent in the near future. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's one governmental fund, the general fund, reported an ending fund balance of \$13,531. The District had an unassigned fund balance of \$10,430. Fund balance of \$95 is restricted for emergencies. Nonspendable fund balance of \$3,006 is made up of prepaid items that will benefit a future period.

The general fund is the chief operating fund of the District. As a measure of the general fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Actual expenditures of the general fund amounted to \$756,662. Total general fund balance represents 1.79% of expenditures.

General Fund Budgetary Highlights

The fund balance for the general fund decreased by (\$651,088), resulting in an ending fund balance of \$13,531. Budgeted revenue exceeded actual revenue by \$442,384. The largest variance was in intergovernmental transfers from District No. 2. Actual expenditures were \$3,305,280 less than budgeted expenditures, principally due to capital expenditures being lower than expected.

Economic Factors and Next Year's Budgets and Rates

- \$3,800,000 in capital expenditures are expected in 2018.
- The assessed value of the debt district, District No. 2, has decreased by \$8,740 from the prior year primarily due to a decrease in oil and gas valuation.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District. Questions concerning any of the information provided in this report or requests for additional information shall be addressed to:

Silverstone Metropolitan District No. 1
Mr. Steve Rane
2500 Arapahoe, Suite 220
Boulder, Colorado 80302

**SILVERSTONE METROPOLITAN DISTRICT NO.1
STATEMENT OF NET POSITION
DECEMBER 31, 2017**

	Governmental Activities
ASSETS	
Cash and Investments	\$ 20,737
Due from Other Governments	2,431
Prepaid Items	3,006
Property Tax Receivable	2,636
Construction in Progress	846,785
Total Assets	875,595
LIABILITIES	
Current Liabilities Due in Less Than One Year:	
Accounts Payable and Retainage Payable	12,643
Total Liabilities	12,643
DEFERRED INFLOWS OF RESOURCES	
Property Tax Revenue	2,636
Total Deferred Inflows of Resources	2,636
NET POSITION	
Net Investment in Capital Assets	846,785
Restricted for Emergencies	95
Unrestricted	13,436
Total Net Position	\$ 860,316

See accompanying Notes to Financial Statements.

**SILVERSTONE METROPOLITAN DISTRICT NO.1
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017**

Functions/Programs	Expenses	Program Revenue <u>Charges for Services</u>	Net (Expense) Revenue and Changes in Net Position <u>Governmental Activities</u>
Governmental Activities:			
Public Works	\$ 7,044	\$ 2,415	\$ (4,629)
General Government	41,749	-	(41,749)
	<u>\$ 48,793</u>	<u>\$ 2,415</u>	<u>(46,378)</u>
General Revenues:			
			2,821
			219
			119
			Intergovernmental Revenue -
			District No. 2
			<u>100,000</u>
			<u>103,159</u>
			Change in Net Position
			56,781
			Net Position - Beginning of Year
			<u>803,535</u>
			Net Position - End of Year
			<u>\$ 860,316</u>

See accompanying Notes to Financial Statements.

**SILVERSTONE METROPOLITAN DISTRICT NO.1
BALANCE SHEET
DECEMBER 31, 2017**

	<u>General Fund</u>
ASSETS	
Cash and Investments	\$ 20,737
Due from Other Governments	2,431
Prepaid Items	3,006
Property Tax Receivable	2,636
Total Assets	<u>\$ 28,810</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	
LIABILITIES	
Accounts Payable and Retainage Payable	<u>\$ 12,643</u>
Total Liabilities	12,643
DEFERRED INFLOWS OF RESOURCES	
Property Tax Revenue	<u>2,636</u>
Total Deferred Inflows of Resources	2,636
FUND BALANCE	
Nonspendable	3,006
Restricted for Emergencies	95
Unassigned	<u>10,430</u>
Total Fund Balance	<u>13,531</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u><u>\$ 28,810</u></u>

See accompanying Notes to Financial Statements.

**SILVERSTONE METROPOLITAN DISTRICT NO.1
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUND TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2017**

Total Fund Balance - Total Governmental Fund \$ 13,531

Amounts reported for governmental activities in the statement of net position
are different because:

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

Capital Assets, Not Being Depreciated 846,785

Net Position of Governmental Activities \$ 860,316

**SILVERSTONE METROPOLITAN DISTRICT NO.1
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – GOVERNMENTAL FUND
YEAR ENDED DECEMBER 31, 2017**

	<u>General Fund</u>
REVENUES	
Intergovernmental - Town of Frederick	\$ 2,415
Property Taxes	2,821
Specific Ownership Taxes	219
Net Investment Income	119
Intergovernmental - Silverstone Metropolitan District No. 2	<u>100,000</u>
Total Revenues	<u>105,574</u>
EXPENDITURES	
Current:	
Treasurer Fees	42
Professional Services	7,500
Accounting	11,193
Insurance	2,493
Legal	12,636
Intergovernmental - Silverstone Metropolitan Districts No. 2 and No. 3	<u>7,167</u>
Miscellaneous	718
Capital Outlay	714,913
Total Expenditures	<u>756,662</u>
(DEFICIENCY) OF REVENUE OVER EXPENDITURES	(651,088)
Fund Balance - Beginning of Year	<u>664,619</u>
FUND BALANCE - END OF YEAR	<u>\$ 13,531</u>

See accompanying Notes to Financial Statements.

**SILVERSTONE METROPOLITAN DISTRICT NO.1
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND TO
THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017**

Net Change in Fund Balance - Total Governmental Fund \$ (651,088)

Amounts reported for governmental activities in the statement of activities
are different because:

Governmental fund reports capital outlays as expenditures. However, for
government activities, those capital outlays other than noncapitalizable
items are shown in the statement of net position at cost.

Capital Outlay

707,869

Change in Net Position of Governmental Activities

\$ 56,781

SILVERSTONE METROPOLITAN DISTRICT NO.1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1 DEFINITION OF REPORTING ENTITY

Silverstone Metropolitan District No.1 (District) is a quasi-municipal corporation and political subdivision of the State of Colorado that was organized by order and decree of the District Court in Weld County on June 4, 2008. The District operates under a Consolidated Service Plan with Silverstone Metropolitan District No. 2 (District No. 2) and Silverstone Metropolitan District No. 3 (District No. 3) approved by the Town of Frederick (Town) on February 5, 2008. Pursuant to the Service Plan, District No. 2 and District No. 3, the financing districts, are intended to provide funding to the District, the operating district, for construction, operation and maintenance of the public improvements, while the District is intended to manage the financial, construction and operation and maintenance of such improvements. Miner's Village Metropolitan District No.'s 1, 2, and 3 formally changed their name to Silverstone Metropolitan District No.'s 1, 2, and 3 in fiscal year 2017.

The District was organized concurrently with District No. 2 and District No. 3. The District has the power to provide water, sanitation, storm drainage, streets, traffic and safety controls, and 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 for ownership and maintenance.

Silverstone Metropolitan District No.1 is intended to serve as the "operating district" while Silverstone Metropolitan Districts No. 2 and No. 3 are intended to serve as the "financing districts". The operating district is responsible for providing the day-to-day operations and administrative management of all three of the Districts. The operating district will be economically dependent upon intergovernmental revenue received from the financing districts in future years.

The District has no employees and all services are contracted.

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

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity, including District No. 2, District No. 3, and the Town.

SILVERSTONE METROPOLITAN DISTRICT NO.1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Government-Wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District. Governmental activities are normally supported by taxes and intergovernmental revenues.

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Construction in progress is shown as an increase in assets.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are intergovernmental revenue and property taxes. Expenditures generally are recorded when a liability is incurred as under accrual accounting. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

The District reports the following major governmental fund:

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

SILVERSTONE METROPOLITAN DISTRICT NO.1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

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

Property Taxes

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally, sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District. During fiscal year 2017, the property tax mill rate increased from 50 mills to 55.275 mills due to a decrease in the residential assessment ratio from 7.96% to 7.20%. The increase in mills certified in December 2017 will be collected in fiscal year 2018.

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

Capital Assets

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

Fund Balance and Net Position

Net position is reported in the governmental activities and is classified as restricted, unrestricted, or net investment in capital assets. Restrictions of net position represent amounts that are not available for appropriation or are legally restricted. Net investment in capital assets includes the values of capital assets. As of December 31, 2017, fund balances of governmental funds are classified as follows:

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

SILVERSTONE METROPOLITAN DISTRICT NO.1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Unassigned – represents the residual classification for the District’s General Fund and could report a surplus or deficit.

Restricted Fund Balance

Emergency Reserves have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado (see Note 10). In compliance with this requirement, \$95 of the General Fund balance has been restricted.

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

NOTE 3 CASH AND INVESTMENTS

Cash and investments reflected on the statement of net position as of December 31, 2017 consist of the following:

Cash Deposits	\$ 20,239
Investments	498
Total Cash and Investments	<u>\$ 20,737</u>

Cash Deposits

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

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

**SILVERSTONE METROPOLITAN DISTRICT NO.1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Cash Deposits (Continued)

The District's cash deposits were covered under PDPA and not subject to custodial credit risk. At December 31, 2017, the District's cash deposits had a carrying balance of \$20,239.

Investments

The District has not adopted a formal investment policy; however, it follows state statutes regarding investments. The District also follows investment policies in bond or note agreements when those agreements are more restrictive than state statutes. The District generally limits its concentration of investments to those noted with an asterisk (*) below, which are believed to have minimal credit risk; minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk disclosure requirements or subject to investment custodial credit risk for investments that are in the possession of another party.

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

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

As of December 31, 2017, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>
Colorado Surplus Asset Fund Trust *	Less than One Year	<u>\$ 498</u>

Colorado Surplus Asset Trust Fund *

As of December 31, 2017, the District had invested \$498 in the Colorado Surplus Asset Fund Trust, an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust is rated AAAM by Standard & Poor's and is valued at amortized cost. Based on the valuation method, additional disclosures are not required under GASB Statement No. 72.

**SILVERSTONE METROPOLITAN DISTRICT NO.1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 4 CONSTRUCTION IN PROCESS

An analysis of the changes in construction in progress for the year ended December 31, 2017 follows:

	Balance at January 1, 2017	Additions	Reductions	Balance at December 31, 2017
Construction in Progress	<u>\$ 138,916</u>	<u>\$ 707,869</u>	<u>\$ -</u>	<u>\$ 846,785</u>

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

NOTE 5 RELATED PARTY

Two of the four members of the Board of Directors are employees or are associated with Bellock Construction Company, construction manager and accountants for the District. During 2017, Districts No. 1, No. 2, and No. 3 had the same Board of Directors (see Note 8).

Construction Management Agreement

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

Amounts paid to Bellock Construction Company during 2017 for construction and construction management were \$34,043 and \$16,098, respectively.

Accounting Services Agreement

An accounting services contract was entered into with Bellock Construction Company on July 24, 2008. Under this agreement, accounting services are provided to both District No. 1 and District No. 2 at the hourly rates of Bellock Construction Company employees. During 2017, the District incurred accounting services fees in the amount of \$11,193.

SILVERSTONE METROPOLITAN DISTRICT NO.1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 6 INTERGOVERNMENTAL REVENUES AND EXPENDITURES

The following intergovernmental revenue and expenses occurred during fiscal year ended December 31, 2017:

	Silverstone Metropolitan District No. 1	Silverstone Metropolitan District No. 2	Silverstone Metropolitan District No. 3	Total Revenues
Silverstone Metropolitan:				
District No. 1	\$ -	\$ 100,000	\$ -	\$ 100,000
District No. 2	3,584	-	-	3,584
District No. 3	3,583	-	-	3,583
Total Expenditures	<u>\$ 7,167</u>	<u>\$ 100,000</u>	<u>\$ -</u>	<u>\$ 107,167</u>

NOTE 7 INTERGOVERNMENTAL AGREEMENT

In 2015, the District entered into an Intergovernmental Agreement (IGA) with the Town of Frederick to construct improvements along Highway 52 corridor and Flying Circle Blvd/William Bailey intersection and establishing acceleration/deceleration lanes on Highway 52 adjacent to Flying Circle Boulevard. The agreement authorizes the District to be reimbursed for the design, construction, installation and construction management fees associated with the Public Improvements. The District received \$1,056,269 of reimbursements in 2016 and \$2,415 in 2017. Warranty costs for the project in 2017 were \$7,044.

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

District Facilities Construction and Service Agreement

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

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

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

SILVERSTONE METROPOLITAN DISTRICT NO.1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 9 RISK MANAGEMENT

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

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2017. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials liability, boiler and machinery, and workers' compensation coverage to its members. Settled claims have not exceeded this coverage during the past three years.

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

NOTE 10 TAX, SPENDING AND DEBT LIMITATIONS

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

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

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

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

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

REQUIRED SUPPLEMENTARY INFORMATION

**SILVERSTONE METROPOLITAN DISTRICT NO.1
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED DECEMBER 31, 2017**

	Original and Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Intergovernmental - Town of Frederick	\$ -	\$ 2,415	\$ 2,415
Property Taxes	2,821	2,821	-
Specific Ownership Taxes	137	219	82
Net Investment Income	-	119	119
Intergovernmental - Silverstone			
Metropolitan Districts No. 2 and No. 3	545,000	100,000	(445,000)
Total Revenues	<u>547,958</u>	<u>105,574</u>	<u>(442,384)</u>
EXPENDITURES			
Current:			
Treasurer Fees	42	42	-
Professional Services	10,000	7,500	2,500
Accounting	15,000	11,193	3,807
Insurance	2,750	2,493	257
Legal	20,000	12,636	7,364
Intergovernmental - Silverstone			
Metropolitan Districts No. 2 and No. 3	4,150	7,167	(3,017)
Miscellaneous	10,000	718	9,282
Capital Outlay	4,000,000	714,913	3,285,087
Total Expenditures	<u>4,061,942</u>	<u>756,662</u>	<u>3,305,280</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	(3,513,984)	(651,088)	2,862,896
OTHER FINANCING SOURCES			
Developer Advances	2,901,243	-	(2,901,243)
Total Other Financing Sources	<u>2,901,243</u>	<u>-</u>	<u>(2,901,243)</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	(612,741)	(651,088)	(38,347)
Fund Balances - Beginning of Year	<u>623,825</u>	<u>664,619</u>	<u>40,794</u>
FUND BALANCES - END OF YEAR	<u>\$ 11,084</u>	<u>\$ 13,531</u>	<u>\$ 2,447</u>