

**GOLDSMITH METROPOLITAN DISTRICT
Arapahoe and Denver Counties, Colorado**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2018

**GOLDSMITH METROPOLITAN DISTRICT
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Goldsmith Metropolitan District
Arapahoe and Denver Counties, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of Goldsmith Metropolitan District (the District) as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Goldsmith Metropolitan District, as of December 31, 2018, and the respective changes in financial position thereof, and the budgetary comparisons for the General Fund and the Special Revenue Fund – Block K Subdistrict for the year ended December 31, 2018 in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

Fiscal Focus Partners, LLC

Greenwood Village, Colorado
June 22, 2019

BASIC FINANCIAL STATEMENTS

**GOLDSMITH METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2018**

| | Governmental Activities |
|---------------------------------------|----------------------------|
| ASSETS | |
| Cash and Investments | \$ 13,178,925 |
| Cash and Investments - Restricted | 260,319 |
| Receivables - Other | 57,330 |
| Receivables - Property Tax | 5,812,357 |
| Prepaid Expense | 45,677 |
| Investment in Block K | 166,985 |
| Noncurrent Assets | |
| Investment in Block K | 4,082,250 |
| Capital Assets, Not Being Depreciated | 18,777,172 |
| Capital Assets, Net | 18,612,696 |
| Total Assets | 60,993,711 |
| LIABILITIES | |
| Accounts Payable | 442,815 |
| Due to County Treasurer | 50,530 |
| Security Deposits - ACC | 162,000 |
| Accrued Interest Payable | 13,916 |
| Noncurrent Liabilities | |
| Due Within One Year - Block K | 166,985 |
| Due in More Than One Year - Block K | 4,082,250 |
| Total Liabilities | 4,918,496 |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred Property Tax Revenue | 5,812,357 |
| Total Deferred Inflows of Resources | 5,812,357 |
| NET POSITION | |
| Net Investments in Capital Assets | 35,125,131 |
| Restricted for: | |
| Emergency Reserves | 204,100 |
| Capital Projects | 17,079 |
| Unrestricted | 14,916,548 |
| Total Net Position | \$ 50,262,858 |

See accompanying Notes to Basic Financial Statements.

**GOLDSMITH METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018**

| | | Program Revenues | | | Net Revenues (Expenses) and Change in Net Position |
|--|----------------------------|--|--|-----------------|---|
| Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | | Governmental Activities |
| FUNCTIONS/PROGRAMS | | | | | |
| Primary Government: | | | | | |
| Government Activities: | | | | | |
| General Government | \$ 1,780,703 | \$ 25,100 | \$ 119,791 | \$ 7,508 | \$ (1,628,304) |
| Parks and Open Space Maintenance | 4,250,854 | 57,219 | - | - | (4,193,635) |
| Interest on Long-Term Obligations and Related Costs | 165,671 | - | 70,000 | - | (95,671) |
| | | | | | |
| Total Governmental Activities | <u>\$ 6,197,228</u> | <u>\$ 82,319</u> | <u>\$ 189,791</u> | <u>\$ 7,508</u> | <u>(5,917,610)</u> |
| GENERAL REVENUES: | | | | | |
| | | | | | 6,523,190 |
| Property Taxes | | | | | 435,701 |
| Specific Ownership Taxes | | | | | 437,620 |
| Net Investment Income | | | | | 4,340 |
| Other Revenue | | | | | 7,400,851 |
| Total General Revenues | | | | | |
| CHANGE IN NET POSITION | | | | | |
| | | | | | 1,483,241 |
| Net Position - Beginning of Year | | | | | 48,779,617 |
| NET POSITION - END OF YEAR | | | | | |
| | | | | | <u>\$ 50,262,858</u> |

See accompanying Notes to Basic Financial Statements.

**GOLDSMITH METROPOLITAN DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2018**

| | General | Capital Projects | Special Revenue - Block K | Debt Service - Block K | Capital Projects - Block K | Total Governmental Funds |
|--|---------------------|----------------------|---------------------------------|------------------------------|----------------------------------|--------------------------------|
| ASSETS | | | | | | |
| Cash and Investments | \$ 2,333,753 | \$ 10,824,456 | \$ 20,716 | \$ - | \$ - | \$ 13,178,925 |
| Cash and Investments - Restricted | 186,000 | 37,403 | 19,837 | - | 17,079 | 260,319 |
| Receivable - County Treasurer | 30,775 | - | 3,280 | 1,640 | - | 35,695 |
| Accounts Receivable | 21,635 | - | - | - | - | 21,635 |
| Prepaid Expense | 45,677 | - | - | - | - | 45,677 |
| Property Tax Receivable | 4,958,127 | - | 569,484 | 284,746 | - | 5,812,357 |
| Investment in Block K | - | 4,249,235 | - | - | - | 4,249,235 |
| Total Assets | <u>\$ 7,575,967</u> | <u>\$ 15,111,094</u> | <u>\$ 613,317</u> | <u>\$ 286,386</u> | <u>\$ 17,079</u> | <u>\$ 23,603,843</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | | | | | | |
| LIABILITIES | | | | | | |
| Accounts Payable | \$ 351,165 | \$ 75,190 | \$ 16,460 | \$ - | \$ - | \$ 442,815 |
| Due to County Treasurer | 46,330 | 4,200 | - | - | - | 50,530 |
| Security Deposits - ACC | 162,000 | - | - | - | - | 162,000 |
| Total Liabilities | 559,495 | 79,390 | 16,460 | - | - | 655,345 |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| Deferred Property Tax Revenue | 4,958,127 | - | 569,484 | 284,746 | - | 5,812,357 |
| Total Deferred Inflows of Resources | 4,958,127 | - | 569,484 | 284,746 | - | 5,812,357 |
| FUND BALANCES | | | | | | |
| Nonspendable: | | | | | | |
| Prepaid Expense | 45,677 | - | - | - | - | 45,677 |
| Restricted for: | | | | | | |
| Emergency Reserve | 186,000 | - | 18,100 | - | - | 204,100 |
| Debt Service | - | - | - | 1,640 | - | 1,640 |
| Capital Projects | - | - | - | - | 17,079 | 17,079 |
| Committed: | | | | | | |
| ACC Reserve | 48,113 | - | - | - | - | 48,113 |
| Assigned: | | | | | | |
| Subsequent Year's Expenditures | - | 6,515,974 | - | - | - | 6,515,974 |
| Special Revenue | - | - | 9,273 | - | - | 9,273 |
| Capital Projects | - | 8,515,730 | - | - | - | 8,515,730 |
| Unassigned | 1,778,555 | - | - | - | - | 1,778,555 |
| Total Fund Balances | <u>2,058,345</u> | <u>15,031,704</u> | <u>27,373</u> | <u>1,640</u> | <u>17,079</u> | <u>17,136,141</u> |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | <u>\$ 7,575,967</u> | <u>\$ 15,111,094</u> | <u>\$ 613,317</u> | <u>\$ 286,386</u> | <u>\$ 17,079</u> | |
| 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. | | | | | | 37,389,868 |
| Long-term liabilities, including obligations payable, are not due and payable in the current period and, therefore, are not reported in the funds. | | | | | | |
| Intergovernmental Obligation | | | | | | (4,249,235) |
| Accrued Intergovernmental Obligation Interest Payable | | | | | | (13,916) |
| Net Position of Governmental Activities | | | | | | <u>\$ 50,262,858</u> |

See accompanying Notes to Basic Financial Statements.

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

| | General | Capital Projects | Special Revenue - Block K | Debt Service - Block K | Capital Projects - Block K | Total Governmental Funds |
|---|---------------------|----------------------|---------------------------------|------------------------------|----------------------------------|--------------------------------|
| REVENUES | | | | | | |
| Property Taxes | \$ 5,697,461 | \$ - | \$ 550,483 | \$ 275,246 | \$ - | \$ 6,523,190 |
| Specific Ownership Taxes | 375,695 | - | 40,004 | 20,002 | - | 435,701 |
| In-Lieu Income | 118,165 | - | - | - | - | 118,165 |
| Investment Income | 3,591 | 422,023 | 11,826 | 180 | - | 437,620 |
| Miscellaneous Income | 4,340 | - | - | - | - | 4,340 |
| System Development Fees | - | - | - | 70,000 | - | 70,000 |
| Water Sales | 57,219 | - | - | - | - | 57,219 |
| ACC Fees | 25,100 | - | - | - | - | 25,100 |
| Reimbursed Expenditures | 1,626 | 7,508 | - | - | - | 9,134 |
| Total Revenues | 6,283,197 | 429,531 | 602,313 | 365,428 | - | 7,680,469 |
| EXPENDITURES | | | | | | |
| Accounting | 45,189 | 19,367 | - | - | - | 64,556 |
| Audit | 7,500 | - | - | - | - | 7,500 |
| ACC Expenditures | 169,328 | - | - | - | - | 169,328 |
| Board Support | 10,158 | - | - | - | - | 10,158 |
| Consulting | 60,211 | - | - | - | - | 60,211 |
| Contingency | 2,309 | - | - | - | - | 2,309 |
| Dues and Subscriptions | 1,488 | - | - | - | - | 1,488 |
| Facility Lease | 5,900 | - | - | - | - | 5,900 |
| Global Information Services | 34,200 | - | - | - | - | 34,200 |
| Insurance | 41,797 | - | - | - | - | 41,797 |
| Interest Expense | - | - | - | 158,097 | - | 158,097 |
| Legal Services | 43,482 | - | - | - | - | 43,482 |
| Maintenance | 3,187,092 | - | - | - | - | 3,187,092 |
| Payroll Tax | 344 | - | - | - | - | 344 |
| Principal Expense - Scheduled | - | - | - | 115,000 | - | 115,000 |
| Principal Expense - Paydown | - | - | - | 108,112 | - | 108,112 |
| Special Events | 56,568 | - | - | - | - | 56,568 |
| Support Management | 98,450 | 98,450 | - | - | - | 196,900 |
| County Treasurer's Fees | 69,161 | - | 8,263 | 4,131 | - | 81,555 |
| HOA Management | - | - | 582,407 | - | - | 582,407 |
| Utilities | 307,799 | - | - | - | - | 307,799 |
| Capital Outlay/Expense | - | 980,883 | - | - | 11,275 | 992,158 |
| Total Expenditures | 4,140,976 | 1,098,700 | 590,670 | 385,340 | 11,275 | 6,226,961 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 2,142,221 | (669,169) | 11,643 | (19,912) | (11,275) | 1,453,508 |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers In (Out) | (2,301,541) | 2,301,541 | - | - | - | - |
| Total Other Financing Sources (Uses) | (2,301,541) | 2,301,541 | - | - | - | - |
| NET CHANGE IN FUND BALANCES | (159,320) | 1,632,372 | 11,643 | (19,912) | (11,275) | 1,453,508 |
| Fund Balances - Beginning of Year | 2,217,665 | 13,399,332 | 15,730 | 21,552 | 28,354 | 15,682,633 |
| FUND BALANCES - END OF YEAR | \$ 2,058,345 | \$ 15,031,704 | \$ 27,373 | \$ 1,640 | \$ 17,079 | \$ 17,136,141 |

See accompanying Notes to Basic Financial Statements.

**GOLDSMITH METROPOLITAN DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018**

Net Change in Fund Balances - Governmental Funds \$ 1,453,508

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

Governmental funds report capital outlays as expenditures. In the statement of activities, capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense the allocation of the cost of any depreciable asset over the estimated useful life of the asset. Capital outlay, the conveyance of capital assets to other governments and depreciation expense in the current period are as follows:

| | |
|-----------------------------|-------------|
| Current Year Capital Assets | 831,338 |
| Depreciation | (1,021,274) |

The issuance of long-term debt (e.g. bonds, leases, and other obligations) 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. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

| | |
|--|---------|
| Principal Payment - Intergovernmental Obligation | 223,112 |
|--|---------|

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 the governmental funds.

| | |
|--|---------|
| Accrued Interest on Intergovernmental Obligation - Change in Liability | (3,443) |
|--|---------|

| | |
|--|--------------|
| Changes in Net Position of Governmental Activities | \$ 1,483,241 |
|--|--------------|

**GOLDSMITH METROPOLITAN DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2018**

| | Original and Final Budget | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|---------------------------------|---------------------|---|
| REVENUES | | | |
| Property Taxes | \$ 5,844,086 | \$ 5,697,461 | \$ (146,625) |
| Specific Ownership Taxes | 459,740 | 375,695 | (84,045) |
| In-Lieu Income | 141,240 | 118,165 | (23,075) |
| Investment Income - ACC | 2,000 | 3,591 | 1,591 |
| Water Sales | 100,000 | 57,219 | (42,781) |
| ACC Fees | 50,000 | 25,100 | (24,900) |
| Miscellaneous Income | - | 4,340 | 4,340 |
| Reimbursed Expenditures | 5,000 | 1,626 | (3,374) |
| Total Revenues | <u>6,602,066</u> | <u>6,283,197</u> | <u>(318,869)</u> |
| EXPENDITURES | | | |
| Accounting | 45,150 | 45,189 | (39) |
| Audit | 7,500 | 7,500 | - |
| ACC Expenditures | 235,000 | 169,328 | 65,672 |
| Board Support | 20,000 | 10,158 | 9,842 |
| Consulting | 25,000 | 60,211 | (35,211) |
| Contingency | 50,000 | 2,309 | 47,691 |
| County Treasurer's Fees | 71,102 | 69,161 | 1,941 |
| Dues and Subscriptions | 7,000 | 1,488 | 5,512 |
| Facility Lease | - | 5,900 | (5,900) |
| Global Information Services | - | 34,200 | (34,200) |
| Insurance | 40,000 | 41,797 | (1,797) |
| Legal Services | 40,000 | 43,482 | (3,482) |
| Payroll Tax | 450 | 344 | 106 |
| Special Events | 75,000 | 56,568 | 18,432 |
| Support Management | 98,450 | 98,450 | - |
| Maintenance: | | | |
| Operational Labor | 2,652,000 | 2,568,541 | 83,459 |
| Contract Services | 430,500 | 418,217 | 12,283 |
| Materials | 340,000 | 200,334 | 139,666 |
| Utilities: | | | |
| Xcel Energy | 220,000 | 198,764 | 21,236 |
| Denver Water | 75,000 | 67,393 | 7,607 |
| Water Rights | 25,000 | 41,642 | (16,642) |
| Total Expenditures | <u>4,457,152</u> | <u>4,140,976</u> | <u>316,176</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 2,144,914 | 2,142,221 | (2,693) |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers In (Out) | (2,372,914) | (2,301,541) | 71,373 |
| Total Other Financing Sources (Uses) | <u>(2,372,914)</u> | <u>(2,301,541)</u> | <u>71,373</u> |
| NET CHANGE IN FUND BALANCES | (228,000) | (159,320) | 68,680 |
| Fund Balances - Beginning of Year | <u>2,293,622</u> | <u>2,217,665</u> | <u>(75,957)</u> |
| FUND BALANCES - END OF YEAR | <u>\$ 2,065,622</u> | <u>\$ 2,058,345</u> | <u>\$ (7,277)</u> |

See accompanying Notes to Basic Financial Statements.

**GOLDSMITH METROPOLITAN DISTRICT
SPECIAL REVENUE FUND – BLOCK K SUBDISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2018**

| | Original and Final Budget | Actual Amounts | Variance with Final Budget Positive (Negative) |
|------------------------------------|---------------------------------|-------------------------|---|
| REVENUES | | | |
| Property Taxes | \$ 550,483 | \$ 550,483 | \$ - |
| Specific Ownership Taxes | 49,540 | 40,004 | (9,536) |
| Net Investment Income | 5,000 | 11,826 | 6,826 |
| Total Revenues | <u>605,023</u> | <u>602,313</u> | <u>(2,710)</u> |
| EXPENDITURES | | | |
| Contingency | 15,000 | - | 15,000 |
| County Treasurer's Fees | 8,257 | 8,263 | (6) |
| HOA Management | 581,766 | 582,407 | (641) |
| Total Expenditures | <u>605,023</u> | <u>590,670</u> | <u>14,353</u> |
| NET CHANGE IN FUND BALANCES | - | 11,643 | 11,643 |
| Fund Balances - Beginning of Year | <u>-</u> | <u>15,730</u> | <u>15,730</u> |
| FUND BALANCES - END OF YEAR | <u><u>\$ -</u></u> | <u><u>\$ 27,373</u></u> | <u><u>\$ 27,373</u></u> |

See accompanying Notes to Basic Financial Statements.

**GOLDSMITH METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 1 DEFINITION OF REPORTING ENTITY

Goldsmith Metropolitan District (District), a quasi-municipal corporation and political subdivision of the state of Colorado, was organized in 1975, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District's service area is located in the City and County of Denver, Colorado, and the City of Greenwood Village, Arapahoe County, Colorado. The District was organized to provide storm sewer improvements, street improvements, parks and recreational facilities and safety protection services.

On November 4, 2003, the Block K Subarea was formed (Subdistrict). The Subdistrict finances the capital and operating costs of development within an area known as Block K of the Denver Technological Center. The formation of the Subdistrict allows the District to fix different rates of levy for property tax purposes against property contained solely in the subarea.

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

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Government-Wide and Fund Financial Statements

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

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

**GOLDSMITH METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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. 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 when the long-term obligation is due.

The District reports the following major governmental funds:

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

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

The Special Revenue Fund - Block K is used to account for financial resources to be used for the general operations related to the Block K subarea.

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

**GOLDSMITH METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)**

The Capital Projects Fund - Block K is used to account for financial resources to be used for the acquisition and construction of capital equipment and facilities related to the Block K sub-area.

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.

The District amended its annual budget for the year ended December 31, 2018.

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 the total cash.

Interfund Balances

The District reports interfund balances (receivables and payables) that are representative of agreements between funds in the fund financial statements as due to/from other funds. The interfund balances have been eliminated in the government-wide statements.

Property Taxes

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

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflow 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.

**GOLDSMITH METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable, Allowance for Doubtful Accounts

User fees constitute a perpetual lien on or against the property served until paid. Such liens may be foreclosed upon as provided by the state of Colorado. Therefore, no provision for uncollectible receivables has been made in the financial statements.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported by the District. 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.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Depreciation expense has been computed using the straight-line method over the following estimated economic useful lives.

| | |
|----------------------|----------------|
| Parks and Open Space | 15 to 50 Years |
| Infrastructure | 30 to 50 Years |
| Other Improvements | 15 to 30 Years |

Tap Fees and Contributed Assets

Tap fees are paid for the right to connect to the District's water facilities and are recorded as capital contributions when received. Public improvements contributed to the District by other entities are recorded as capital contributions and additions to capital assets at estimated fair value when received.

Deferred Inflow of Resources

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

Equity

Net Position

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

**GOLDSMITH METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity (Continued)

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 debt holders), constitutional provisions, or enabling legislation.

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

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

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

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

**GOLDSMITH METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 3 CASH AND INVESTMENTS

Cash and investments as of December 31, 2018, are classified in the accompanying financial statements as follows:

Statement of Net Position:

| | |
|--|---------------|
| Cash and Investments | \$ 13,016,925 |
| Cash and Investments - ACC Security Deposits | 162,000 |
| Cash and Investments - Restricted | 260,319 |
| Total Cash and Investments | \$ 13,439,244 |

| | |
|--------------------------------------|---------------|
| Deposits with Financial Institutions | \$ 341,373 |
| Investments | 13,097,871 |
| Total Cash and Investments | \$ 13,439,244 |

Deposits with Financial Institutions

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

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

At December 31, 2018, the District's cash deposits had a bank balance of \$435,944 and a carrying balance of \$341,373. Outstanding checks at December 31, 2018 were \$94,571.

Investments

The District has adopted a formal investment policy which 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.

**GOLDSMITH METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

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, 2018, the District had the following investments:

| <u>Investment</u> | <u>Maturity</u> | <u>Amount</u> |
|--|-----------------------------------|----------------------|
| Colorado Local Government Liquid Asset Trust (COLOTRUST) | Weighted Average Under 60 Days | <u>\$ 13,097,871</u> |

COLOTRUST

The District invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the 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 offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in 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 the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. COLOTRUST is rated AAAM by Standard & Poor's. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST at net asset value as determined by fair value. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

**GOLDSMITH METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 4 CAPITAL ASSETS

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

| | Balance at December 31, 2017 | Increases | Decreases | Balance at December 31, 2018 |
|---|------------------------------------|--------------|-----------|------------------------------------|
| GOVERNMENTAL ACTIVITIES | | | | |
| Capital Assets, Not Being Depreciated: | | | | |
| Land and Right-of-Ways | \$ 6,249,005 | \$ - | \$ - | \$ 6,249,005 |
| Landscaping | 11,475,850 | - | - | 11,475,850 |
| Water Taps | 1,052,317 | - | - | 1,052,317 |
| Total Capital Assets, Not Being Depreciated | 18,777,172 | - | - | 18,777,172 |
| Capital Assets, Being Depreciated: | | | | |
| Parks and Open Space | | | | |
| Fence | 294,370 | - | - | 294,370 |
| Fountains | 2,040,694 | - | - | 2,040,694 |
| Park and Open Space Improvements | 17,426,428 | 631,529 | - | 18,057,957 |
| Infrastructure | | | | |
| Street Improvements | 2,926,041 | - | - | 2,926,041 |
| Transportation | 1,727,615 | - | - | 1,727,615 |
| Other Improvements | | | | |
| Signage | 1,333,211 | 196,761 | - | 1,529,972 |
| Wells/Irrigation | 5,633,956 | - | - | 5,633,956 |
| Office Building | 959,014 | 3,048 | - | 962,062 |
| Total Capital Assets, Being Depreciated | 32,341,329 | 831,338 | - | 33,172,667 |
| Less Accumulated Depreciation for: | | | | |
| Parks and Open Space | | | | |
| Fence | 151,741 | 9,813 | - | 161,554 |
| Fountains | 450,674 | 68,023 | - | 518,697 |
| Park and Open Space Improvements | 7,027,142 | 502,495 | - | 7,529,637 |
| Infrastructure | | | | |
| Street Improvements | 1,209,945 | 97,535 | - | 1,307,480 |
| Transportation | 816,737 | 57,587 | - | 874,324 |
| Other Improvements | | | | |
| Signage | 861,639 | 45,227 | - | 906,866 |
| Wells/Irrigation | 2,883,894 | 208,576 | - | 3,092,470 |
| Office Building | 136,925 | 32,018 | - | 168,943 |
| Total Accumulated Depreciation | 13,538,697 | 1,021,274 | - | 14,559,971 |
| Total Capital Assets, Being Depreciated, Net | 18,802,632 | (189,936) | - | 18,612,696 |
| Governmental Activities Capital Assets, Net | \$ 37,579,804 | \$ (189,936) | \$ - | \$ 37,389,868 |

**GOLDSMITH METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 4 CAPITAL ASSETS (CONTINUED)

Water taps at December 31, 2018, in the amount of \$1,052,317 represents 629 taps at the original purchase amount of \$1,673 per tap. Of the 629 taps remaining, 357 are reserved per the Infrastructure Cooperation Agreement (see NOTE 8).

Depreciation expense was charged to functions/programs of the District as follows:

| | |
|--|----------------------------|
| Governmental Activities: | |
| General Government | \$ 518,779 |
| Parks and Open Space | <u>502,495</u> |
| Total Depreciation Expense - Governmental Activities | <u><u>\$ 1,021,274</u></u> |

NOTE 5 LONG-TERM OBLIGATIONS

The following is an analysis of changes in general long-term obligations for the year ended December 31, 2018:

| | Balance at December 31, 2017 | Additions | Reductions | Balance at December 31, 2018 | Due Within One Year |
|--------------------------------|------------------------------------|-------------|-------------------|------------------------------------|---------------------------|
| GOVERNMENTAL ACTIVITIES | | | | | |
| Intergovernmental | | | | | |
| Obligation - Block K | <u>\$ 4,472,347</u> | <u>\$ -</u> | <u>\$ 223,112</u> | <u>\$ 4,249,235</u> | <u>\$ 166,985</u> |

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

In 2004 the District issued its \$5,300,000 General Obligation Variable Rate Bonds, Series 2004, with a maximum interest rate of 9%. The bonds were issued for the construction of improvements that benefitted the Goldsmith Metropolitan District Block K Subdistrict (the Subdistrict). As consideration for the issuance of the bonds and in accordance with a Funding Agreement dated July 1, 2004, between the District, the Subdistrict and the Developer, the Subdistrict agreed to impose within the Subdistrict a debt service mill levy of 30 mills (subject to adjustment but not more than 50 mills) in each year while the bonds were outstanding, and to transfer revenues from the mill levy to the District for the purpose of paying debt service on the 2004 Bonds. In addition, the Developer agreed to pay the difference, if any, between the annual principal and interest payments and the proceeds from the Subdistrict's mill levy and other available revenues.

**GOLDSMITH METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

In order to avoid repetitive and increasingly burdensome costs associated with a letter of credit securing the 2004 Bonds, the District redeemed the principal balance of \$4,960,000 with cash reserves on November 1, 2014. As a result of the redemption, the Funding Agreement between the District, the Subdistrict, and the Developer was amended and restated on November 1, 2014. The Agreement continues the obligation of the Subdistrict to make scheduled principal payments consistent with the previous schedule of payments under the Bonds in order to reimburse the District in the amount of the 2004 Series bond redemption. The obligation carries interest on the outstanding principal amount at a rate calculated as the Average 30-Day Yield published for COLOTRUST PLUS+ as of each June 1 and December 1 plus 1.50%. The Agreement also continues the Developer's obligation to pay the difference, if any, between the annual principal and interest payments and the proceeds from the Subdistrict's mill levy and other available revenues.

Using the variable interest rate at December 31, 2018, of 3.93% for the Intergovernmental Obligation, the District's long-term obligations would mature as follows:

| <u>Year Ending December 31,</u> | <u>Governmental Activities</u> | | |
|---------------------------------|--------------------------------|---------------------|---------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2019 | \$ 166,985 | \$ 166,995 | \$ 333,980 |
| 2020 | 145,000 | 160,432 | 305,432 |
| 2021 | 150,000 | 154,734 | 304,734 |
| 2022 | 180,000 | 148,839 | 328,839 |
| 2023 | 185,000 | 141,765 | 326,765 |
| 2024-2028 | 1,285,000 | 580,313 | 1,865,313 |
| 2029-2033 | 1,910,000 | 281,240 | 2,191,240 |
| 2034 | 227,250 | 8,931 | 236,181 |
| Total | <u>\$ 4,249,235</u> | <u>\$ 1,643,249</u> | <u>\$ 5,892,484</u> |

Using estimated interest rates of 4.00% to 5.75% for years 2019 through 2026 and 6.00% thereafter for the Intergovernmental Obligation, the District's long-term obligations would mature as follows:

| <u>Year Ending December 31,</u> | <u>Governmental Activities</u> | | |
|---------------------------------|--------------------------------|---------------------|---------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2019 | \$ 166,985 | \$ 169,969 | \$ 336,954 |
| 2020 | 145,000 | 173,496 | 318,496 |
| 2021 | 150,000 | 177,176 | 327,176 |
| 2022 | 180,000 | 179,894 | 359,894 |
| 2023 | 185,000 | 180,363 | 365,363 |
| 2024-2028 | 1,285,000 | 836,854 | 2,121,854 |
| 2029-2033 | 1,910,000 | 429,375 | 2,339,375 |
| 2034 | 227,250 | 13,635 | 240,885 |
| Total | <u>\$ 4,249,235</u> | <u>\$ 2,160,762</u> | <u>\$ 6,409,997</u> |

**GOLDSMITH METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Authorized Debt

On November 4, 2003, a majority of the qualified electors of the Block K Subdistrict authorized the issuance of indebtedness in an amount not to exceed \$53,000,000 at an interest rate of 12% per annum. The authorization consists of \$15,000,000 for the financing of new improvements, \$8,000,000 for funding operations and maintenance costs, and \$30,000,000 for the purposes of debt refunding. At December 31, 2018, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

| | Authorized November 4, 2003 Election | Authorization Used | Remaining at December 31, 2018 |
|----------------------------|--|-----------------------|--------------------------------------|
| Streets | \$ 5,000,000 | \$ - | \$ 5,000,000 |
| Parks and Recreation | 5,000,000 | - | 5,000,000 |
| Storm Drainage | 5,000,000 | - | 5,000,000 |
| Operations and Maintenance | 8,000,000 | - | 8,000,000 |
| Debt Refunding | 30,000,000 | - | 30,000,000 |
| Total | <u>\$ 53,000,000</u> | <u>\$ -</u> | <u>\$ 53,000,000</u> |

On May 4, 2004, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$140,000,000 at an interest rate not to exceed 12% per annum. The authorization consists of \$40,000,000 for the financing of new improvements and \$100,000,000 for the purpose of debt refunding. At December 31, 2018, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

| | Authorized May 4, 2004 Election | Authorization Used 2004 Bonds | Remaining at December 31, 2018 |
|----------------------|---------------------------------------|-------------------------------------|--------------------------------------|
| Streets | \$ 10,000,000 | \$ 1,749,000 | \$ 8,251,000 |
| Parks and Recreation | 10,000,000 | 3,148,200 | 6,851,800 |
| Transportation | 10,000,000 | - | 10,000,000 |
| Storm Drainage | 10,000,000 | 402,800 | 9,597,200 |
| Debt Refunding | 100,000,000 | - | 100,000,000 |
| Total | <u>\$ 140,000,000</u> | <u>\$ 5,300,000</u> | <u>\$ 134,700,000</u> |

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.

**GOLDSMITH METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 6 NET POSITION

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

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

| | Governmental Activities |
|---|----------------------------|
| Net Investment in Capital Assets | |
| Capital Assets, Net | \$ 37,389,868 |
| Current Portion of Long-Term Obligations | (89,358) |
| Noncurrent Portion of Long-Term Obligations | (2,184,518) |
| Portion of Debt Related to Restricted Cash and Investments | 9,139 |
| Total | \$ 35,125,131 |

Restricted assets include net position that is restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had restricted net position as of December 31, 2018, as follows:

| | Governmental Activities |
|-------------------------------|----------------------------|
| Restricted Net Position: | |
| Emergency Reserves | \$ 204,100 |
| Capital Projects | 17,079 |
| Total Restricted Net Position | \$ 221,179 |

The District's unrestricted net position as of December 31, 2018 is \$14,916,548.

NOTE 7 COVENANT OBLIGATIONS

Effective December 1, 2004, the District entered into an agreement regarding covenant obligations and support services with TCD North, Inc. (North), DTC West Land Venture (DTC), the Architectural Control Committee of the Denver Technological Center (ACC) and the Design Control Committee of Regency West Denver Tech Center (DCC). ACC and DCC are committees created to administer the protective covenants of properties which lie in the District's service area. With this agreement, North, DTC, ACC and DCC have delegated to the District the responsibility for the performance of certain functions and duties pursuant to the protective covenants. Due to North's familiarity and involvement with matters relating to the protective covenants, the parties agreed that North would continue to provide the

**GOLDSMITH METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 7 COVENANT OBLIGATIONS (CONTINUED)

services needed to administer the covenants. All of North's rights and obligations under this agreement have been assigned to Shea (as defined in Note 9). ACC and DCC will continue to bear responsibility for and exercise all the powers granted and/or assigned to them in the protective covenants.

Effective January 1, 2013, the agreement was updated to include provisions for the District to fund ACC and DCC to the extent that the service charges are not sufficient to cover the full cost of operations. The agreement terminates on December 31, 2022.

At December 31, 2018, the District had \$196,363 in cash and investments and liabilities of \$162,000 related to the ACC and DCC covenant obligations composed of payables and security deposits being held by the District.

For each calendar year following 2013, the management fee shall be increased by the increase, if any, in the Denver-Boulder CPI for the prior year. The fee for 2018 was \$165,000.

NOTE 8 INTERGOVERNMENTAL AGREEMENTS

City and County of Denver

Water service is provided to occupants in the area formerly known as Denver Suburban Water District (Denver Suburban) by the City and County of Denver through its Board of Water Commissioners (Board). Under an agreement with the Board dated April 14, 1976, all water lines constructed by Denver Suburban will be conveyed to the Board when completed. The Board bills the individual users for water furnished and is responsible for maintenance and replacement of the lines conveyed. Denver Suburban was legally dissolved on March 28, 2013. All of Denver Suburban's assets, liabilities and contractual obligations were absorbed by the District.

South Denver Metropolitan District - 1991 Water Tap Connection Agreement

In an agreement dated June 18, 1991, Denver Suburban paid the South Denver Metropolitan District \$2,500,000 for all remaining rights to obtain water tap connections from the Denver Water Board within a geographic area defined in an agreement dated September 13, 1983, between The City and County of Denver, Denver Tech Center Associates, and Quincy Investments Company, which had been subsequently assigned to the South Denver Metropolitan District. These water tap connections are utilized for newly developing parcels within the aforementioned geographic area as the underlying mechanism for a supplementary tap fee to recoup costs as well as fund the construction of additional infrastructure. As of December 31, 2018, a total of 873 of the original 1,502 (¾" equivalent) tap rights had been sold in this manner. The current District's (f/k/a Denver Suburban) sale price for a single ¾" equivalent tap is \$7,850. Of the 629 remaining taps, 357 are reserved per the Infrastructure Cooperation Agreement. Denver Suburban was legally dissolved on March 28, 2013. The agreement was assigned to the District by the dissolution of Denver Suburban.

**GOLDSMITH METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 8 INTERGOVERNMENTAL AGREEMENTS (CONTINUED)

Infrastructure Cooperation Agreement (ICA)

In an agreement dated May 9, 2006, the District (f/k/a Denver Suburban), Belquince LTD. Liability Co., and Madre Investment Co., LLC entered into an agreement for tap rights. Belquince and Madre (Owners) agreed to purchase 500 tap rights from the District (f/k/a Denver Suburban). The Owners, or their successors, agree to purchase the 500 taps from the District (f/k/a Denver Suburban) at the current sale price and shall not acquire tap rights from any other source until the 500 tap rights are exhausted. Within 60 days of receipt of these tap rights the District (f/k/a Denver Suburban) will reimburse to the Owners 50% of the tap fee paid for any tap rights by the Owners or any other builder on the Owners' parcel. This reimbursement is intended to cover the costs for construction of water facilities the Owners may have to construct within the District (f/k/a Denver Suburban). The parties agree that the District (f/k/a Denver Suburban) shall not be required to construct or extend, or pay to participate in the construction or extension of water mains or other water facilities required for the development of the Owners' parcel. Denver Suburban was legally dissolved on March 28, 2013. The agreement was assigned to the District by the dissolution of Denver Suburban.

During 2018, the District received no payment for taps related to the ICA. The remaining balance of taps available under the ICA is 357 as of December 31, 2018.

NOTE 9 RELATED PARTIES

The Developer of the property within the District is Shea Colorado, LLC and its affiliates (Shea, or Developer). Three of the five Board members of the District are employed by or provide services to a business or businesses that are involved with, may become involved with, or are directly and substantially affected by the activities of the District, and all Board members own real property that is located in the District. These relationships and ownerships, in certain circumstances, may give the appearance that conflicting interests could affect their official activities as Board members but as a general matter they do not disqualify them to serve as Board members. As and when required by law, each affected Board member files a written disclosure of any potential conflicts of interest with the District and the Colorado Secretary of State, and they refrain from voting on affected matters unless allowed by law.

During 2018, the District paid Shea \$196,900 for management services. The District also paid Tech Center Maintenance (affiliate of Shea) \$3,212,717 for landscape services and maintenance. The amount due to TCM at December 31, 2018 is \$317,472.

The District has entered into an agreement with TCD North in regards to the Block K Intergovernmental Obligation whereby TCD North will pay the difference, if any, between the annual principal and interest payments of the Intergovernmental Obligation and the proceeds from the Subdistrict's mill levy and other available revenue. All of TCD North's rights and obligations have been assigned to Shea.

**GOLDSMITH METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 10 INTERFUND TRANSFERS

The transfer from the General Fund to Capital Projects Fund was the result of excess cash in the District's General Fund and a District goal to reserve approximately half of the current expenditures in the General Fund.

NOTE 11 RISK MANAGEMENT

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

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

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

NOTE 12 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.

On November 4, 1997, a majority of the District's electors authorized the District to collect and spend or retain in a reserve all currently levied taxes and other revenue of the District for 1997 and any year thereafter, without regard to any limitations under TABOR.

On November 4, 2003, a majority of the Block K Subdistrict's electors authorized the Subdistrict to increase taxes \$200,000 annually, plus the rate of inflation, for the Subdistrict's operations, maintenance and other expenses, without limitation of rate, in amounts sufficient to produce the annual increase for the purpose of paying the Subdistrict's costs of maintaining the improvements within and/or benefiting the Subdistrict, without regard to any spending.

**GOLDSMITH METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 12 TAX, SPENDING AND DEBT LIMITATIONS (CONTINUED)

The electors also authorized the Subdistrict to collect and spend or retain in a reserve all currently levied taxes and other revenue of the Subdistrict for 2003 and any year thereafter, without regard to any limitations under TABOR.

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.

NOTE 13 SUBSEQUENT EVENT

Subsequent to December 31, 2018, the District amended the Funding Agreement between the District, the Subdistrict and the Developer. The agreement removes the Developer from the agreement and adds One Cherry Lane Homeowner's Association (the Association). In addition to the existing long term debt, the District has agreed to advance the Subdistrict up to \$1,000,000 for needed repairs and replacement of the public infrastructure funded by the 2004 Bonds. The maturity of the obligation will be December 1, 2039.

The Association agrees to impose an assessment upon the property owner to assist with the funds needed to operate and administer the community.

SUPPLEMENTARY INFORMATION

**GOLDSMITH METROPOLITAN DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2018**

| | Original and Final Budget | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|---------------------------------|----------------------|---|
| REVENUES | | | |
| Net Investment Income | \$ 85,000 | \$ 263,926 | \$ 178,926 |
| Investment Revenue | 326,039 | 158,097 | (167,942) |
| Reimbursed Expenditures | 20,000 | 7,508 | (12,492) |
| Total Revenues | <u>431,039</u> | <u>429,531</u> | <u>(1,508)</u> |
| EXPENDITURES | | | |
| Accounting | 19,350 | 19,367 | (17) |
| Consulting | 45,000 | - | 45,000 |
| Contingency | 75,000 | - | 75,000 |
| Support Management | 98,450 | 98,450 | - |
| Streets/Sidewalks/Transportation | | | |
| Bus Shelter Renovation | 200,000 | - | 200,000 |
| DTC Signals | 175,000 | - | 175,000 |
| Median Renovation | 400,000 | - | 400,000 |
| Orchard Park Enhancement | 450,000 | 78,415 | 371,585 |
| S Ulster Cir/GWL Repairs | 700,000 | - | 700,000 |
| Sidewalks Repairs | 75,000 | 29,055 | 45,945 |
| Signal Painting | 200,000 | 11,600 | 188,400 |
| Street Sign Replacement/Directories | 800,000 | 196,761 | 603,239 |
| Street Trees | 150,000 | 129,567 | 20,433 |
| Landscape/Identity | | | |
| Artwork/Features | 300,000 | - | 300,000 |
| Bullock Park | 10,000 | - | 10,000 |
| Entry Area Improvements | 200,000 | 129,237 | 70,763 |
| Identity Walls | 75,000 | - | 75,000 |
| Lighting Upgrades | 50,000 | 67,410 | (17,410) |
| Park | | | |
| Storm and WQ Structures | 650,000 | 91,351 | 558,649 |
| Goldsmith Gulch Mucking | 200,000 | - | 200,000 |
| Park Bench/Table Replacement | 10,000 | 18,720 | (8,720) |
| Park Painting | 125,000 | 52,000 | 73,000 |
| Park/Landscape Upgrades | 100,000 | 116,739 | (16,739) |
| Wells/Irrigation | | | |
| Irrigation Electrical Upgrade | 50,000 | - | 50,000 |
| Irrigation Main Line Repair | 150,000 | 56,980 | 93,020 |
| North Well Relocation | 1,400,000 | - | 1,400,000 |
| Miscellaneous Projects | | | |
| HQ Restoration | 300,000 | 3,048 | 296,952 |
| Upgrade Electrical Cabinets | 20,000 | - | 20,000 |
| Total Expenditures | <u>7,027,800</u> | <u>1,098,700</u> | <u>5,929,100</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (6,596,761) | (669,169) | 5,927,592 |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers In (Out) | 2,372,914 | 2,301,541 | (71,373) |
| Total Other Financing Sources (Uses) | <u>2,372,914</u> | <u>2,301,541</u> | <u>(71,373)</u> |
| NET CHANGE IN FUND BALANCES | (4,223,847) | 1,632,372 | 5,856,219 |
| Fund Balances - Beginning of Year | <u>13,113,229</u> | <u>13,399,332</u> | <u>286,103</u> |
| FUND BALANCES - END OF YEAR | \$ 8,889,382 | \$ 15,031,704 | \$ 6,142,322 |

**GOLDSMITH METROPOLITAN DISTRICT
DEBT SERVICE FUND – BLOCK K SUBDISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2018**

| | Budget | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|------------------------------------|----------------|----------------|-------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Property Taxes | \$ 275,246 | \$ 275,246 | \$ 275,246 | \$ - |
| Specific Ownership Taxes | 24,772 | 20,002 | 20,002 | - |
| System Development Fees | 30,000 | 70,000 | 70,000 | - |
| Net Investment Income | 150 | 150 | 180 | 30 |
| Total Revenues | <u>330,168</u> | <u>365,398</u> | <u>365,428</u> | <u>30</u> |
| EXPENDITURES | | | | |
| County Treasurer's Fees | 4,129 | 4,131 | 4,131 | - |
| Interest Expense | 130,000 | 158,097 | 158,097 | - |
| Principal Expense - Scheduled | 115,000 | 115,000 | 115,000 | - |
| Principal Expense - Paydown | 81,039 | 109,722 | 108,112 | 1,610 |
| Total Expenditures | <u>330,168</u> | <u>386,950</u> | <u>385,340</u> | <u>1,610</u> |
| NET CHANGE IN FUND BALANCES | - | (21,552) | (19,912) | 1,640 |
| Fund Balances - Beginning of Year | - | 21,552 | 21,552 | - |
| FUND BALANCES - END OF YEAR | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,640</u> | <u>\$ 1,640</u> |

**GOLDSMITH METROPOLITAN DISTRICT
CAPITAL PROJECTS FUND – BLOCK K SUBDISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
DECEMBER 31, 2018**

| | <u>Original and Final Budget</u> | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|------------------------------------|--|---------------------------|---|
| REVENUES | | | |
| Net Investment Income | \$ - | \$ - | \$ - |
| Total Revenues | <u>-</u> | <u>-</u> | <u>-</u> |
| EXPENDITURES | | | |
| Block K Capital Expense | <u>30,240</u> | <u>11,275</u> | <u>18,965</u> |
| Total Expenditures | <u>30,240</u> | <u>11,275</u> | <u>18,965</u> |
| NET CHANGE IN FUND BALANCES | (30,240) | (11,275) | 18,965 |
| Fund Balances - Beginning of Year | <u>30,240</u> | <u>28,354</u> | <u>(1,886)</u> |
| FUND BALANCES - END OF YEAR | <u>\$ -</u> | <u>\$ 17,079</u> | <u>\$ 17,079</u> |

**GOLDSMITH METROPOLITAN DISTRICT
SCHEDULE OF INTERGOVERNMENTAL OBLIGATION REQUIREMENTS TO MATURITY
DECEMBER 31, 2018**

| <u>Year Ending December 31,</u> | Block K Subarea \$4,960,000 Intergovernmental Obligation Variable Rate Loan, Series 2014 Dated November 1, 2014 Variable Interest Rate (1) Interest Due June 1 and December 1 Principal Due December 1 | | |
|---------------------------------|--|--------------|--------------|
| | Principal | Interest | Total |
| 2019 | \$ 166,985 | \$ 166,995 | \$ 333,980 |
| 2020 | 145,000 | 160,432 | 305,432 |
| 2021 | 150,000 | 154,734 | 304,734 |
| 2022 | 180,000 | 148,839 | 328,839 |
| 2023 | 185,000 | 141,765 | 326,765 |
| 2024 | 220,000 | 134,494 | 354,494 |
| 2025 | 225,000 | 125,848 | 350,848 |
| 2026 | 260,000 | 117,006 | 377,006 |
| 2027 | 270,000 | 106,788 | 376,788 |
| 2028 | 310,000 | 96,177 | 406,177 |
| 2029 | 320,000 | 83,994 | 403,994 |
| 2030 | 360,000 | 71,418 | 431,418 |
| 2031 | 375,000 | 57,270 | 432,270 |
| 2032 | 420,000 | 42,532 | 462,532 |
| 2033 | 435,000 | 26,026 | 461,026 |
| 2034 | 227,250 | 8,931 | 236,181 |
| Total | \$ 4,249,235 | \$ 1,643,249 | \$ 5,892,484 |

(1) Interest calculated at Colotrust Plus average 30 day yield rate on June 1 and December 1 plus 1.5%. Colotrust Plus average monthly yield was 2.43% at December 1, 2018.

**GOLDSMITH METROPOLITAN DISTRICT
 FIVE YEAR SUMMARY OF ASSESSED VALUATION,
 MILL LEVY AND PROPERTY TAXES COLLECTED
 DECEMBER 31, 2018**

| Year Ended December 31, | Prior Year Assessed Valuation for Current Year Property Tax Levy * | Mills Levied | | Total Property Taxes | | Percent Collected to Levied |
|---|---|-----------------|--|----------------------|--------------|-----------------------------------|
| | | General Fund | | Levied | Collected | |
| 2014 | \$ 486,762,320 | 12.750 | | \$ 5,460,799 | \$ 5,343,872 | 97.86 % |
| 2015 | 478,985,565 | 11.750 | | 4,942,520 | 4,779,226 | 96.70 |
| 2016 | 581,747,554 | 10.500 | | 5,361,722 | 5,317,424 | 99.17 |
| 2017 | 572,893,079 | 10.500 | | 5,268,642 | 5,270,060 | 100.03 |
| 2018 | 663,246,322 | 10.000 | | 5,844,085 | 5,697,461 | 97.49 |
| Estimate for Year Ending December 31, 2019 | \$ 662,049,067 | 8.500 | | \$ 4,958,127 | | |

NOTE: Property taxes collected in any one year include collection of delinquent property taxes levied in prior years. Information received from the County Treasurer does not permit identification of specific year of levy.

* Prior year Assessed Valuation also includes Debt Only assessed valuations.

**GOLDSMITH METROPOLITAN DISTRICT
 FIVE YEAR SUMMARY OF ASSESSED VALUATION,
 MILL LEVY AND PROPERTY TAXES COLLECTED
 BLOCK K SUBDISTRICT
 DECEMBER 31, 2018**

| Year Ended December 31, | Prior Year Assessed Valuation for Current Year Property Tax Levy | Mills Levied | | Total Property Taxes | | Percent Collected to Levied |
|---|---|-----------------|-------------------------|----------------------|------------|-----------------------------------|
| | | General Fund | Debt Service Fund | Levied | Collected | |
| 2014 | \$ 4,875,260 | 60.000 | 30.000 | \$ 438,774 | \$ 438,767 | 100.00 % |
| 2015 | 5,170,545 | 60.000 | 30.000 | 465,349 | 465,349 | 100.00 |
| 2016 | 7,128,388 | 60.000 | 30.000 | 641,555 | 641,556 | 100.00 |
| 2017 | 7,623,098 | 60.000 | 30.000 | 686,079 | 686,081 | 100.00 |
| 2018 | 8,347,356 | 65.947 | 32.974 | 825,729 | 825,729 | 100.00 |
| Estimate for Year Ending December 31, 2019 | \$ 8,635,482 | 65.947 | 32.974 | \$ 854,230 | | |

NOTE: Property taxes collected in any one year include collection of delinquent property taxes levied in prior years. Information received from the County Treasurer does not permit identification of specific year of levy.