

Eagle Ranch Metropolitan District
Eagle County, Colorado

FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

December 31, 2016



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INDEPENDENT AUDITOR'S REPORT

March 9, 2017

Board of Directors
Eagle Ranch Metropolitan District
Eagle County, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Eagle Ranch Metropolitan District, as of and for the year ended December 31, 2016, 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, the business-type activities, and each major fund of Eagle Ranch Metropolitan District as of December 31, 2016, and the respective changes in financial position, and, where

March 9, 2017
Eagle Ranch Metropolitan District
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applicable, cash flows thereof 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 Management's Discussion and Analysis and the Schedules of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual for the General Fund and the Water Tap Fee Special Revenue Fund 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Eagle Ranch Metropolitan District's basic financial statements. The Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget (GAAP Basis) and Actual – Debt Service Fund and the Schedule of Revenues and Expenditures – Budget (Non-GAAP Basis) and Actual with Reconciliation to GAAP Basis – Proprietary Fund – Golf Fund are presented for purposes of additional analysis and are not a required part of the basic financial statements.

These schedules are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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, these schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

 Beckstead & Co., LLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

Eagle Ranch Metropolitan District

Management's Discussion and Analysis December 31, 2016

As management of the Eagle Ranch Metropolitan District ("District") we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2016.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. The report also includes supplementary information after the notes to the financial statements.

Government-wide financial statements: The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on the District's assets, deferred outflows, liabilities and deferred inflows with the difference between the amounts reported as net position. Over time, increases or decreases 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 government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the District include general government and interest on long-term debt. The business-type activity of the District is a golf course.

The government-wide financial statements can be found on pages 7 and 8 of this report.

Fund financial statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds, and proprietary funds.

Governmental funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Overview of the Financial Statements (continued)

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The governmental funds financial statements are located on pages 9 through 11 of this report.

Proprietary funds: The District maintains one proprietary fund. The District uses the Golf Fund to account for its golf course operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages 12 through 14 of this report.

Notes to the Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 15 through 29 of this report.

Government-wide Financial Analysis

The following tables show condensed financial information derived from the government-wide financial statements for the years ended December 31, 2015 and 2014.

Eagle Ranch Metropolitan District's Net Position

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Assets and Deferred Outflows:						
Current and other assets	\$ 3,766,316	\$ 3,671,592	\$ 149,262	\$ 121,013	\$ 3,915,578	\$ 3,792,605
Capital and other non-current assets	-	-	9,440,789	9,298,953	9,440,789	9,298,953
Total Assets and Deferred Outflows	3,766,316	3,671,592	9,590,051	9,419,966	13,356,367	13,091,558
Liabilities and Deferred Inflows:						
Current liabilities and deferred inflows	3,099,554	3,058,214	45,677	18,363	3,145,231	3,076,577
Long-term liabilities	13,536,502	14,413,212	11,663	10,417	13,548,165	14,423,629
Total Liabilities and Deferred Inflows:	16,636,056	17,471,426	57,340	28,780	16,693,396	17,500,206
Net Position:						
Net investment in capital assets	(14,406,502)	(15,243,212)	9,440,789	9,298,953	(4,965,713)	(5,944,259)
Restricted	2,447	2,289	-	-	2,447	2,289
Unrestricted (deficit)	1,534,315	1,441,089	91,922	92,233	1,626,237	1,533,322
Total Net Position (Deficit)	(12,869,740)	(13,799,834)	9,532,711	9,391,186	(3,337,029)	(4,408,648)

A portion of the District's net position is subject to the external restrictions as to how they can be used.

At the end of the both years, The District's net position in the governmental activities had a negative balance due to infrastructure, which was paid for with the debt issued, being transferred to the Town of Eagle, Colorado. The business-type activities reported a positive balance.

Government-wide Financial Analysis (continued)

Eagle Ranch Metropolitan District's Change in Net Position

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ -	\$ -	\$ 1,140,849	\$ 1,225,699	\$ 1,140,849	\$ 1,225,699
Grants and contributions	22,500	24,000	-	-	22,500	24,000
General revenues:						
Property taxes	2,156,510	2,010,520	-	-	2,156,510	2,010,520
Other taxes	102,861	102,986	-	-	102,861	102,986
Interest and other	25,568	13,124	68,949	60	94,517	13,184
Transfers	(626,000)	(390,000)	626,000	390,000	-	-
Total Revenues	1,681,439	1,760,630	1,835,798	1,615,759	3,517,237	3,376,389
Expenses:						
General government	129,240	131,367	-	-	129,240	131,367
Interest on long-term debt	622,105	651,667	-	-	622,105	651,667
Golf course operations	-	-	1,694,273	1,667,405	1,694,273	1,667,405
Total Expenses	751,345	783,034	1,694,273	1,667,405	2,445,618	2,450,439
Change in Position	930,094	977,596	141,525	(51,646)	1,071,619	925,950
Net Position- Beginning	(13,799,834)	(14,777,430)	9,391,186	9,442,832	(4,408,648)	(5,334,598)
Net Position- Ending	\$ (12,869,740)	\$ (13,799,834)	\$ 9,532,711	\$ 9,391,186	\$ (3,337,029)	\$ (4,408,648)

Financial Analysis of the District's Funds

As mentioned previously, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A discussion of the District's funds follows.

Governmental funds: The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. 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 governmental funds reported combined ending fund balances of \$1,586,403, an increase of \$90,373 from the prior year. Of the fund balance, \$2,475 is restricted, meaning it is not available for new spending because it has already been committed for emergencies under the Taxpayers' Bill of Rights (TABOR) and tap fee reimbursements. An additional \$101,107 is assigned as it is intended to be used for future debt service. The remaining \$1,482,821 is unassigned and is available for spending in future years.

Proprietary funds: The District's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The net position of the proprietary fund totaled \$9,532,711 at the end of 2016 compared to \$9,391,186 at the end of 2015. The increase is primarily attributable to depreciation expense being less than capital additions during the year. At the end of 2016, \$9,440,789 of the net position balance was invested in capital assets and \$91,922 was available for spending at the District's discretion.

Budget variances: Details of the budget variances can be seen on pages 30, 31 and 32 for the governmental funds and page 33 for the proprietary fund.

Capital assets: The District invested in capital asset additions of \$422,704 during 2016 but recorded depreciation expense of \$270,586 in the business-type activities. Additional information as well as a detailed classification of the District's net capital assets can be found in the Notes to the Financial Statements on page 25 of this report.

Long-term debt: The District retired \$830,000 of its long term debt during 2016 leaving a year-end balance of \$14,325,000 (excluding bond premiums of \$81,502). Additional information can be found in the Notes to the Financial Statements on pages 26 and 27 of this report.

Request 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 government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Eagle Ranch Metropolitan District, c/o Marchetti & Weaver, LLC, 28 Second Street, Suite 213, Edwards, CO 81632, phone (970) 926-6060.

Eagle Ranch Metropolitan District
STATEMENT OF NET POSITION
December 31, 2016

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets			
Cash and equivalents	\$ 1,581,856	\$ 39,109	\$ 1,620,965
Receivables			
Property taxes	2,175,342	-	2,175,342
Accounts	-	9,626	9,626
Due from county treasurer	9,118	-	9,118
Prepaid expenses	-	55,163	55,163
Inventories	-	45,364	45,364
Capital assets, net	-	9,440,789	9,440,789
Total Assets	<u>3,766,316</u>	<u>9,590,051</u>	<u>13,356,367</u>
Liabilities			
Accounts payable	4,571	35,622	40,193
Accrued interest payable	49,641	-	49,641
Revenue received in advance of service	-	10,055	10,055
Due within one year			
Bonds payable	870,000	-	870,000
Due beyond one year			
Accrued compensated balances	-	11,663	11,663
Bonds payable	13,536,502	-	13,536,502
Total Liabilities	<u>14,460,714</u>	<u>57,340</u>	<u>14,518,054</u>
Deferred Inflows of Resources			
Deferred property tax revenue	2,175,342	-	2,175,342
Total Deferred Inflows of Resources	<u>2,175,342</u>	<u>-</u>	<u>2,175,342</u>
Net Position			
Net investment in capital assets	(14,406,502)	9,440,789	(4,965,713)
Restricted for emergencies	2,447	-	2,447
Unrestricted (deficit)	1,534,315	91,922	1,626,237
Total Net Position	<u>\$ (12,869,740)</u>	<u>\$ 9,532,711</u>	<u>\$ (3,337,029)</u>

The accompanying notes are an integral part of this statement.

Eagle Ranch Metropolitan District
STATEMENT OF ACTIVITIES
Year ended December 31, 2016

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-type Activities	Total
Primary Government						
Governmental Activities:						
General government	\$ 129,240	\$ -	\$ 22,500	\$ (106,740)	\$ -	\$ (106,740)
Interest on long term debt	622,105	-	-	(622,105)	-	(622,105)
Total Governmental Activities	751,345	-	22,500	(728,845)	-	(728,845)
Business-type Activities:						
Golf operations	1,694,273	1,140,849	-	-	(553,424)	(553,424)
Total Business-type Activities	1,694,273	1,140,849	-	-	(553,424)	(553,424)
Total Primary Government	<u>\$ 2,445,618</u>	<u>\$ 1,140,849</u>	<u>\$ 22,500</u>	(728,845)	(553,424)	(1,282,269)
General revenues						
Taxes						
Property taxes				2,156,510	-	2,156,510
Specific ownership tax				102,861	-	102,861
Investment earnings				25,568	29	25,597
Gain (loss) on disposal of capital assets				-	68,920	68,920
Transfers				(626,000)	626,000	-
Total general revenues				<u>1,658,939</u>	<u>694,949</u>	<u>2,353,888</u>
Change in Net Position				930,094	141,525	1,071,619
Net Position -Beginning				(13,799,834)	9,391,186	(4,408,648)
Net Position -Ending				<u>\$ (12,869,740)</u>	<u>\$ 9,532,711</u>	<u>\$ (3,337,029)</u>

The accompanying notes are an integral part of this statement.

Eagle Ranch Metropolitan District
BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2016

	General Fund	Debt Service Fund	Water Tap Fee Fund	Total Governmental Funds
Assets				
Equity in pooled cash	\$ 1,482,640	\$ 97,688	\$ 1,528	\$ 1,581,856
Due from county treasurer	5,699	3,419	-	9,118
Property taxes receivable	1,359,620	815,722	-	2,175,342
Total Assets	<u>\$ 2,847,959</u>	<u>\$ 916,829</u>	<u>\$ 1,528</u>	<u>\$ 3,766,316</u>
Liabilities				
Accounts payable and accrued liabilities	\$ 3,071	\$ -	\$ 1,500	\$ 4,571
Total Liabilities	3,071	-	1,500	4,571
Deferred Inflows of Resources				
Deferred property tax revenue	1,359,620	815,722	-	2,175,342
Total Deferred Inflows of Resources	1,359,620	815,722	-	2,175,342
Fund Balances				
Restricted for emergencies and tap fees	2,447	-	28	2,475
Assigned for debt service	-	101,107	-	101,107
Unassigned	1,482,821	-	-	1,482,821
Total Fund Balances	<u>1,485,268</u>	<u>101,107</u>	<u>28</u>	<u>1,586,403</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 2,847,959</u>	<u>\$ 916,829</u>	<u>\$ 1,528</u>	

Amounts reported for governmental activities in the Statement of Net Position are different because:

Long-term assets and liabilities are not currently available or due and payable in the current period and, therefore, are not reported in the funds. Details of these amounts are as follows:

Accrued interest payable	\$ (49,641)	
Bonds payable	<u>(14,406,502)</u>	
		\$ (14,456,143)
Net Position of Governmental Activities		<u>\$ (12,869,740)</u>

The accompanying notes are an integral part of this statement.

Eagle Ranch Metropolitan District
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the year ended December 31, 2016

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Water Tap Fee Fund</u>	<u>Total Governmental Funds</u>
Revenues:				
Property tax	\$ 1,347,819	\$ 808,691	\$ -	\$ 2,156,510
Specific ownership tax	64,288	38,573	-	102,861
Investment earnings	23,451	2,117	-	25,568
Tap fees	-	-	22,500	22,500
Total Revenues	<u>1,435,558</u>	<u>849,381</u>	<u>22,500</u>	<u>2,307,439</u>
Expenditures				
General and administrative				
Treasurer's fees	40,549	24,329	-	64,878
Accounting and audit	34,654	-	-	34,654
Legal	680	-	-	680
Other	576	-	-	576
Insurance	3,400	-	-	3,400
Paying agent fees	-	850	-	850
Office Supplies	1,702	-	-	1,702
Tap fees-developer and Town of Eagle	-	-	22,500	22,500
Debt service				
Principal	-	830,000	-	830,000
Interest	-	631,826	-	631,826
Total Expenditures	<u>81,561</u>	<u>1,487,005</u>	<u>22,500</u>	<u>1,591,066</u>
Excess (Deficiency) of Revenues Over Expenditures	1,353,997	(637,624)	-	716,373
Other Financing Sources (Uses)				
Net operating transfers in (out)	(1,263,000)	637,000	-	(626,000)
Net Other Financing Sources (Uses)	<u>(1,263,000)</u>	<u>637,000</u>	<u>-</u>	<u>(626,000)</u>
Net Change in Fund Balances	90,997	(624)	-	90,373
Fund Balances-Beginning	1,394,271	101,731	28	1,496,030
Fund Balances-Ending	<u>\$ 1,485,268</u>	<u>\$ 101,107</u>	<u>\$ 28</u>	<u>\$ 1,586,403</u>

The accompanying notes are an integral part of this statement.

Eagle Ranch Metropolitan District
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 For the year ended December 31, 2016

Net Change in Fund Balances of Governmental Funds \$ 90,373

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of the premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. Details of these differences are as follows:

Bond principal payments	830,000	
Change in accrued interest	3,011	
Amortization of bond issue premiums	6,710	
		839,721

Change in Net Position of Governmental Activities \$ 930,094

The accompanying notes are an integral part of this statement.

Eagle Ranch Metropolitan District
STATEMENT OF NET POSITION
Proprietary Fund - Golf Fund
December 31, 2016 (With Comparative Totals for 2015)

	2016	2015
Assets		
Current Assets		
Cash and cash equivalents	\$ 39,109	\$ 71,178
Accounts receivable	9,626	5,477
Prepaid expenses	55,163	8,395
Inventories	45,364	35,963
Total Current Assets	149,262	121,013
Capital Asset		
Fixed assets, net of accumulated depreciation	9,440,789	9,298,953
Total Capital Assets	9,440,789	9,298,953
Total Assets	\$ 9,590,051	\$ 9,419,966
Liabilities and Net Position		
Current Liabilities		
Accounts payable	\$ 35,622	\$ 8,491
Revenue received in advance of service	10,055	9,872
Total Current Liabilities	45,677	18,363
Long-term Liabilities		
Accrued compensated absences	11,663	10,417
Total Long-term Liabilities	11,663	10,417
Total Liabilities	57,340	28,780
Net Position		
Net investment in capital assets	9,440,789	9,298,953
Unrestricted	91,922	92,233
Total Net Position	9,532,711	9,391,186
Total Liabilities and Net Position	\$ 9,590,051	\$ 9,419,966

The accompanying notes are an integral part of this statement.

Eagle Ranch Metropolitan District
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND - GOLF FUND
For the year ended December 31, 2016 (With Comparative Totals for 2015)

	2016	2015
Operating Revenues:		
Green fees	\$ 623,566	\$ 670,460
Cart rentals	182,418	184,378
Golf revenue-other	70,474	90,801
Golf shop revenue	117,985	123,211
Golf shop cost of sales	(83,482)	(91,320)
Food and beverage revenue	141,906	153,965
Food and beverage cost of sales	(55,982)	(61,083)
Total Operating Revenues	996,885	1,070,412
 Operating Expenses		
Golf course maintenance	595,669	611,463
General and administrative	264,058	244,642
Golf operations	246,852	253,309
Food and beverage operations	69,496	73,109
Clubhouse operations	58,042	56,452
Marketing	33,108	37,551
Golf shop operations	16,998	10,401
Depreciation	270,586	239,725
Total Operating Expenses	1,554,809	1,526,652
Operating (Loss)	(557,924)	(456,240)
 Non-operating Revenue (Expenses)		
Interest income	29	60
Other revenue	4,500	2,884
Gain (loss) on disposal of capital assets	68,920	11,650
Total Non-operating Revenues (Expense)	73,449	14,594
Net Income (Loss) Before Transfers	(484,475)	(441,646)
 Transfers from other funds	626,000	390,000
Change in Net Position	141,525	(51,646)
 Net Position - Beginning of Year	9,391,186	9,442,832
Net Position - End of Year	\$ 9,532,711	\$ 9,391,186

The accompanying notes are an integral part of this statement.

Eagle Ranch Metropolitan District
STATEMENT OF CASH FLOWS
PROPRIETARY FUND - GOLF FUND

For the year ended December 31, 2016 (With Comparative Totals for 2015)

	2016	2015
Cash Flows from Operating Activities		
Cash received from customers and others	\$ 1,136,883	\$ 1,214,593
Cash paid for goods and services	(721,593)	(716,539)
Cash paid to employees and benefits	(729,886)	(719,508)
Net Cash (Used) by Operating Activities	(314,596)	(221,454)
Cash Flows from Non-Capital Financing Activities		
Transfers	626,000	390,000
Net Cash Provided by Investing Activities	626,000	390,000
Cash Flows from Capital and Related Financing Activities		
Proceeds from sale of capital assets	79,200	11,650
Purchase of fixed assets	(422,702)	(183,138)
Net Cash Provided (Used) by Capital and Related Financing Activities	(343,502)	(171,488)
Cash Flows from Investing Activities		
Interest income	29	60
Net Cash Provided by Investing Activities	29	60
Net Increase (Decrease) in Cash and Equivalents	(32,069)	(2,882)
Cash and Equivalents at beginning of year	71,178	74,060
Cash and Equivalents at end of year	\$ 39,109	\$ 71,178
 Reconciliation of Operating (Loss) to Net Cash (Used) by Operating Activities		
Operating (loss)	\$ (557,924)	\$ (456,240)
Adjustment to reconcile operating (loss) to net cash (used) by operating activities		
Depreciation	270,586	239,725
Other revenue	4,500	2,884
(Increase) decrease in prepaid expenses	(46,768)	28,954
(Increase) decrease in accounts receivable	(4,149)	692
(Increase) decrease in inventory	(9,401)	(10,227)
Increase (decrease) in accounts payable, net of capital activity	27,131	(11,231)
Increase (decrease) in revenue received in advance of service	183	(11,798)
Increase (decrease) in accrued compensated absences	1,246	(4,213)
Total Adjustments	243,328	234,786
Net Cash (Used) by Operating Activities	\$ (314,596)	\$ (221,454)

The accompanying notes are an integral part of this statement.

Eagle Ranch Metropolitan District
NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE A– SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Eagle Ranch Metropolitan District (the “District”) is a quasi-municipal corporation and a political subdivision of the State of Colorado. The District was formed pursuant to Colorado Revised Statutes as amended on November 30, 1998, and after approval of the eligible electors of the District at a special election held November 3, 1998. The District was created for the purpose of assisting in the financing and construction of a residential community known as Eagle Ranch Development (the “Development”). The District and the Development comprise approximately 1,941 acres of land.

The property within the District was incorporated into the Town of Eagle (the “Town”) pursuant to an Agreement Relating to the Annexation and Development of Property as of January 12, 1999 and subsequently amended through 2006. Pursuant to the Intergovernmental Improvement Agreement dated as of April 13, 1999 between the District and the Town and the Service Plan adopted by the Town Board of Trustees on July 21, 1998 and the Board of County Commissioners on August 10, 1998, the District in conjunction with the Developer is authorized to finance and provide certain public facilities in the Development, including certain collector and arterial roads, water and sanitary sewer lines, drainage facilities, landscaping and recreational improvements, including a golf course.

Pursuant to the Intergovernmental Agreement between the District and the Town, the District has conveyed to the Town the infrastructure, excluding the golf course. The Town now owns and has the responsibility of operating and maintaining the infrastructure, and therefore, the infrastructure is not reported as an asset of the District. The District’s expenditures for acquisition of the infrastructure within the District do not constitute the total cost of the infrastructure as the Developer has directly funded the cost of the infrastructure that the District could not fund.

Pursuant to the Intergovernmental Agreement between the District and the Town, the Town may elect to acquire the golf course and related facilities and equipment by assumption of the outstanding bonded indebtedness or pay the outstanding debt by refinancing the debt. The Town has not elected to acquire the golf course at December 31, 2015. Nothing in the Intergovernmental Agreement shall require the town to acquire the golf course if it is not reasonably capable of paying the debt from the pledge of golf course revenues.

Eagle Ranch Metropolitan District
NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE A– SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

1. Reporting Entity

The District is governed by an elected Board which is responsible for setting policy, appointing administrative personnel and adopting an annual budget in accordance with the provisions of the Colorado Special District Act.

The reporting entity consists of (a) the primary government; i.e., the District, and (b) organizations for which the District is financially accountable. The District is considered financially accountable for legally separate organizations if it is able to appoint a voting majority of an organization's governing body and is either able to impose its will on that organization or there is potential for the organization to provide specific financial benefits, to, or to impose specific financial burdens on, the District. Consideration is also given to other organizations which are fiscally dependent, i.e., unable to adopt a budget, levy taxes or issue debt without approval by the District. Organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete are also included in the reporting entity.

Based on the criteria discussed above, the District is not financially accountable for any other entity, nor is the District a component unit of any other government.

2. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segments 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. Other items not properly included amount program revenues are reported instead as *general revenues*.

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

Eagle Ranch Metropolitan District
NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE A– SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3. 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*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

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 District, except those required to be accounted for in another fund.

The *Debt Service Fund* accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of government funds.

The *Special Revenue Fund (Water Tap Fee Fund)* accounts for the collection of the tap fees and payment of the tap fees to the Town and the Developer.

The District reports the following proprietary fund:

The *Golf Fund* accounts for activities of the golf course.

Eagle Ranch Metropolitan District
NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE A– SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions. Internally dedicated resources are reported as general revenues rather than program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund are charges to customers for golf related fees. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

4. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the District considers all highly liquid investments purchased with a maturity of twelve months or less to be cash equivalents. Certificates of deposit with maturities exceeding twelve months are also considered to be cash equivalents when early redemption charges would not be significant.

5. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

The trade and property taxes receivable are shown net of estimated uncollectible amounts. All receivables at December 31, 2016 are considered collectible and, therefore, an allowance for uncollectible taxes and trade receivables has not been recorded.

6. Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Eagle Ranch Metropolitan District
NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE A– SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

7. Capital Assets

The District does not report any infrastructure assets as these assets are the assets of the Town.

The initial capitalized assets of the business-type activities are recorded at historical cost. The reported values exclude normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the asset or extend its useful life beyond the original estimates.

Depreciation is provided on a straight-line basis over the estimated useful life of the business-type activities assets ranging from 3 to 40 years.

8. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt, and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Premiums are deferred and amortized over the life of the bonds using the effective interest method.

9. Restricted Assets

Certain net position is restricted by legal covenants and Colorado legal statutes to be restricted for future payments of debt and contingencies set forth in the Colorado statutes.

10. Comparative Data

Certain comparative amounts are presented as of and for the year ended December 31, 2015. This information is presented for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. For a complete presentation, the audited financial statements for that period should be obtained.

11. Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts reported as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

12. Fund Balances

In the governmental fund financial statements fund balance is reported in five classifications as follows.

Eagle Ranch Metropolitan District
NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE A– SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Nonspendable: Prepaid expenses represent fund balance amounts that are not in spendable form.

Restricted: The Colorado Constitution as amended by TABOR (see separate statutory compliance note) requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. Fund balance in the Water Tap Fee Fund is restricted for future tap fees.

Committed: Committed is that portion of fund balance that has been committed by the highest level of formal action of the District’s Board of Directors and does not lapse at year-end. The District does not have any committed fund balance at year end.

Assigned: Assignments of fund balance are designated by District management. Fund balance in the Debt Service Fund is assigned for future debt service.

Unassigned: Fund balance that has not been reported in any other classification is reported as unassigned.

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental funds financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

NOTE B– STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all funds, as required by Colorado Statutes.

In the fall of each year, the District’s Board of Directors formally adopts a budget with appropriations for the ensuing year pursuant to the Colorado Local budget law. The budget for the governmental funds is adopted on a basis consistent with generally accepted accounting principles (“GAAP”).

The budget for the proprietary funds are adopted on a Non-GAAP budgetary basis and are reconciled to GAAP basis on the budget to actual statements and as presented below:

Eagle Ranch Metropolitan District
NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE B– STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – CONTINUED

	Golf fund
Net Income (Loss) – Non-GAAP Basis	\$ 935
Reconciliation to GAAP Basis	
Depreciation and amortization	(270,586)
Capitalized expenditures	422,702
Net book value of assets disposed	(10,280)
Change in accrued compensated absences	(1,246)
Net Income (Loss) GAAP Basis	\$ 141,525

As required by Colorado Statutes, the District followed this timetable in approving and enacting a budget for the ensuing year.

1. Prior to August 25 of each year, the County Assessor sends the District a certified assessed valuation of all taxable property within the District’s boundaries. The County Assessor may change the assessed valuation only once by a single notification to the District, on or before December 10.

2. On or before October 15 of each year, the Budget Director submitted to the District’s Board of Directors a recommended budget that detailed the necessary property taxes needed along with other available revenues to meet the District’s operating requirements.

3. Prior to December 15, the District computed and certified to the county Commissioners a rate of levy that derived the necessary property taxes as computed in the proposed budget.

4. After a required publication of “Notice of Proposed Budget” and a public hearing, the District adopted the proposed budget and an appropriating resolution, which legally appropriated expenditures for the upcoming year.

5. After adoption of the budget resolution, the District may make the following changes: a.) it may transfer appropriated monies between funds or between spending agencies within a fund, as determined by the original appropriation level; b.) supplemental appropriations to the extent of revenues in excess of the estimate in the budget; c.) emergency appropriations; and d.) reduction of appropriations for which originally estimated revenues are insufficient.

Eagle Ranch Metropolitan District
NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE B– STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – CONTINUED

The level of control in the budget at which expenditures exceed appropriations is at the fund level. All appropriations lapse at year-end.

Taxes levied in one year are collected in the succeeding year. Thus taxes certified in 2016 will be collected in 2017. Taxes are due on January 1st in the year of collection; however, they may be paid in either one installment (no later than April 30th) or two equal installments (not later than February 28th and June 15th) without interest or penalty. Taxes that are not paid within the prescribed time bear interest at the rate of one percent (1%) per month until paid. Unpaid amounts and the accrued interest thereon become delinquent on June 15th.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting – under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation – is not utilized by the District because it is at present considered not necessary to assure effective budgetary control or to facilitate effective cash planning and control.

TABOR Amendment

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20, commonly known as the Taxpayer’s Bill of Rights (“TABOR”). TABOR contains revenue, spending, tax, and debt limitations that apply to the State of Colorado and local governments. TABOR requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that of the prior year, extension of any expiring tax, or tax policy change directly causing a net tax revenue gain to any local government.

Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple-fiscal year or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in future years.

TABOR also requires local governments to establish emergency reserves to be used for declared emergency only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be 3% or more of fiscal year spending (excluding bonded debt service). The District has reserved a portion of its December 31, 2016, year-end fund balances for emergencies in the amount of \$2,447.

Under TABOR, future spending and revenue limits are determined based on the prior year’s fiscal year spending adjusted for inflation in the prior calendar year plus annual local growth. Fiscal year spending is generally defined as expenditures and reserve increases with certain exceptions. Revenue, if any, in excess of the fiscal year spending limit must be refunded in the next fiscal year unless voters approve retention of such revenue.

Eagle Ranch Metropolitan District

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE B– STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – CONTINUED

The District’s electorate approved that the District be authorized to collect, retain, and spend all revenues collected from the District’s property tax rate of 25 mills, and from all other funds and sources, commencing January 1, 1999, and continuing thereafter, as a voter-approved revenue change, offset, and an exception to the limits which would otherwise apply under Article X, Section 20 of the Colorado Constitution and as a permanent waiver of the 5.5% limitation under Section 29-1-301, C.R.S.

As of December 31, 2016, the District had no remaining authorized but unissued debt.

The District’s management believes it is in compliance with the financial provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of its provisions, including the interpretation of how to calculate fiscal year spending limits, will require judicial interpretation.

NOTE C – DEPOSITS AND INVESTMENTS

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 Depository Insurance Corporation (“FDIC”) levels must be collateralized. The eligible collateral is determined by PDPA. The 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 Regulatory Commissions for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

The District’s deposits are entirely covered by FDIC or by the collateral required by the PDPA. The FDIC insures the first \$250,000 of the District’s deposits at each financial institution. At December 31, 2016, the District’s cash deposits and investments had a carrying balance and a bank balance as follows:

<u>Type</u>	<u>Rating</u>	<u>Bank Balance</u>	<u>Carrying Amount</u>	<u>Maturities of Less Than One Year</u>
Deposits				
Checking		\$ 75,959	\$ 77,360	\$ 77,360
Certificates of deposit		1,020,554	1,020,554	1,020,554
Investments				
COLOTRUST investment pool	AAAm	<u>522,651</u>	<u>522,651</u>	<u>522,651</u>
		<u>\$1,619,164</u>	<u>\$1,620,565</u>	<u>\$1,620,565</u>

Eagle Ranch Metropolitan District
NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE C – DEPOSITS AND INVESTMENTS – CONTINUED

Interest Rate Risk. As a means of limiting its exposure to interest rate risk, the District diversifies its investments by security type and institution, and limits holding in any one type of investment with any one issuer. The District coordinates its investment maturities to closely match cash flow needs and restricts the maximum investment term to less than five years from the purchase date. As a result of the limited length of maturities, the District has limited its interest rate risk.

Credit Risk. State law and District policy limit investments to those authorized by State statutes including U.S. Agencies and 2a7-like pools. The District’s general investment policy is to apply the prudent-person rule: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and in general, avoid speculative investments.

Concentration of Credit Risk. The District diversifies its investments by security type and institution.

Colorado state statutes authorize the District to invest in U.S. Treasury bills, obligations of any other U.S. agencies, obligations of the World Bank, general obligation bonds of any state or any of their subdivisions, revenue bonds of any state or any of their subdivisions, bankers acceptance notes, commercial paper, repurchase agreements, money market funds and guaranteed investment contracts. All investments must be held by the District, in their name, or in custody of a third party on behalf of the local government.

The District had invested \$522,651 in the Colorado Local Governmental Liquid Asset Trust, (Colotrust), an investment vehicle established for local government entities in Colorado to pool surplus funds. Colotrust operates similarly to a money market fund and each share is equal in value to \$1.00. A designated custodial bank provides safekeeping and depository services to Colotrust in connection with the direct investment and withdrawal functions of Colotrust. Substantially all securities owned by Colotrust are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian’s internal records identify the investments owned by Colotrust. Colotrust funds carry a Standard & Poor’s AAAM rating. There is no custodial, interest rate or foreign currency risk exposure.

A summary of the District’s cash and investments at December 31, 2016 is shown below:

Cash on hand	\$ 400
Cash in banks	1,097,914
Colotrust	<u>522,651</u>
Total	<u>\$ 1,620,965</u>

Eagle Ranch Metropolitan District

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE D – RECEIVABLES

Receivables as of year-end for the government's individual funds, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Debt Service Fund	Golf Fund	Total
Property taxes	\$1,359,620	\$ 815,722	\$ -	\$2,175,342
Trade accounts	-	-	9,626	9,626
Total	<u>1,359,620</u>	<u>815,722</u>	<u>9,626</u>	<u>2,184,968</u>
Less: allowance for Uncollectible accounts	-	-	-	-
Net Total Receivables	<u>\$1,359,620</u>	<u>\$ 815,722</u>	<u>\$ 9,626</u>	<u>\$2,184,968</u>

NOTE E – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2016 was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Business-type Activities				
Capital assets not being depreciated				
Land and golf course infrastructure	\$ 6,557,075	\$ -	\$ -	\$ 6,557,075
Capital assets being depreciated				
Golf equipment	298,805	294,195	(249,505)	343,495
Food and beverage equipment	37,961	6,508	(5,228)	39,241
Maintenance equipment	891,567	-	(8,385)	883,182
Clubhouse equipment	29,765	18,213	-	47,978
Buildings	3,552,624	75,033	-	3,627,657
Golf course	978,065	28,755	-	1,006,820
Total capital assets being depreciated	<u>5,788,787</u>	<u>422,704</u>	<u>(263,118)</u>	<u>5,948,373</u>
Total capital assets of business-type activities	<u>\$12,345,862</u>	<u>\$ 422,704</u>	<u>\$ (263,118)</u>	<u>\$12,505,448</u>
Accumulated depreciation				
Golf equipment	(239,098)	(71,445)	239,225	(71,318)
Food and beverage equipment	(13,385)	(4,746)	5,227	(12,904)
Maintenance equipment	(557,270)	(90,310)	8,384	(639,196)
Clubhouse equipment	(29,765)	(1,821)	-	(31,586)
Buildings	(1,257,582)	(95,119)	-	(1,352,701)
Golf course	(949,809)	(7,145)	-	(956,954)
Total accumulated depreciation	<u>(3,046,909)</u>	<u>(270,586)</u>	<u>252,836</u>	<u>(3,064,659)</u>
Total Business-type Activities, Net	<u>\$ 9,298,953</u>	<u>\$ 152,118</u>	<u>\$ (10,282)</u>	<u>\$ 9,440,789</u>

Depreciation is provided on a straight-line basis over the estimated useful lives of the assets, ranging from 3 to 40 years. Depreciation expense of \$270,586 was charged to golf operations business-type activities.

Eagle Ranch Metropolitan District
NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE F – LONG-TERM DEBT

General Obligation Bonds

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for the governmental activities. General obligation bonds are direct obligations and pledge the full faith and credit of the District.

\$6,805,000 General Obligation Refunding bonds Series 2007

The Series 2007 Bonds (“Bonds”) are general obligation bonds of the District, payable from ad valorem property taxes without limitation on property located within the District. Bonds maturing before December 1, 2017 are not subject to prior redemption. Bonds maturing on or after December 1, 2017 are subject to prior redemption. The Bonds were issued to defease \$7,465,000 of the Series 1999B Revenue Bonds. The interest rate on the Bonds ranges from 4.00% to 5.00%. Interest is payable June 1 and December 1 and principal is payable December 1 of each year.

\$4,545,000 General Obligation Refunding bonds Series 2011

The Series 2011 Bonds (“Bonds”) are general obligation bonds of the District, payable from ad valorem property taxes without limitation on property located within the District. Bonds maturing on or before December 1, 2015 are not subject to prior redemption. There are no bonds maturing during 2016 through 2024. Bonds maturing on or after December 1, 2025 are subject to prior redemption. The Bonds were issued to refund the \$5,000,000 General Obligation Refunding and Improvement Bonds and Registered Coupons (“B” Interest), Series 2001. The interest rate on the Bonds ranges from 3.00% to 5.00%. Interest is payable June 1 and December 1 and principal is payable December 1 of each year.

\$6,630,000 General Obligation Refunding bonds Series 2013

The Series 2013 Bonds (“Bonds”) are general obligation bonds of the District, payable from ad valorem property taxes without limitation on property located within the District. The Bonds are subject to prior redemption in whole, or in part in a minimum amount of \$250,000 plus a redemption premium required by the sale certificate for the bonds. The Bonds were issued to refund the \$4,880,000 General Obligation Refunding Bonds, Series 2003 A and the \$2,105,000 General Obligation Bonds, Series 2003 B. The interest rate on the Bonds is 3.42%. Interest is payable June 1 and December 1 and principal is payable December 1 of each year.

Eagle Ranch Metropolitan District
NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE F – LONG-TERM DEBT – CONTINUED

The debt service requirements for general obligation debt issues are as follows:

	<u>General Obligation Bonds</u>		<u>Grand</u>
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 870,000	\$ 595,698	\$ 1,465,698
2018	900,000	562,957	1,462,957
2019	935,000	528,405	1,463,405
2020	965,000	491,822	1,456,822
2021	1,000,000	455,455	1,455,455
2022-2026	5,645,000	1,659,692	7,304,692
2027-2029	<u>4,010,000</u>	<u>369,688</u>	<u>4,379,688</u>
	<u>\$ 14,325,000</u>	<u>\$ 4,663,717</u>	<u>\$ 18,988,717</u>

Changes in long-term debt for the year were as follows:

	<u>Beginning</u>		<u>Deletions</u>	<u>Ending</u>	<u>Due Within</u>
	<u>Balance</u>	<u>Additions</u>		<u>Balance</u>	<u>One Year</u>
Governmental Activities					
2007 GO Refunding					
Bonds	\$ 5,235,000	\$ -	\$ (490,000)	\$ 4,745,000	\$ 515,000
2011 GO Refunding					
Bonds	3,890,000	-	-	3,890,000	-
2013 GO Refunding					
Bonds	6,030,000	-	(340,000)	5,690,000	355,000
Premiums	<u>88,212</u>	<u>-</u>	<u>(6,710)</u>	<u>81,502</u>	<u>-</u>
Total Governmental					
Activities	<u>\$ 15,243,212</u>	<u>\$ -</u>	<u>\$ (836,710)</u>	<u>\$ 14,406,502</u>	<u>\$ 870,000</u>

Eagle Ranch Metropolitan District
NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE G – INTERFUND TRANSFERS

	Transfers Between Funds			
	General Fund	Debt Service Fund	Golf Fund	Total
General Fund	\$	\$ (637,000)	\$ (626,000)	\$ (1,263,000)
Debt Service Fund	637,000	-	-	637,000
Water Fund	-	-	-	-
Golf Fund	626,000	-	-	626,000
	\$ 1,263,000	\$ (637,000)	\$ (626,000)	\$ -

Inter-fund transfers are made from the General Fund to provide resources for payment of debt service by the Debt Service Fund and to provide supplemental funding of operating expenses for the Golf Fund.

NOTE H – RISK MANAGEMENT

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

The District has elected to participate in the Colorado Special Districts Property and Liability Pool (the “Pool”) which is sponsored by the Special District Association of Colorado. The Pool provides property and general liability, automobile physical damage and liability, public official’s liability and machinery coverage to its members. Members of the Pool are required to make additional surplus contributions. 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. During the year ended December 31, 2016 the Pool made no distributions to the District.

Condensed financial statement data for the Colorado Special Districts Property and Liability Pool as of December 31, 2015 (the most recent available) is as follows:

Assets	<u>\$ 44,054,744</u>
Liabilities	\$ 24,739,781
Surplus	<u>19,314,963</u>
	<u>\$ 44,054,744</u>
Revenues	\$ 16,561,452
Expenses	<u>14,839,993</u>
Net Income (Loss)	<u>\$ 1,721,459</u>

Eagle Ranch Metropolitan District
NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE I – RELATED PARTIES

The District's developer receives a portion of the water tap fees paid by lot owners.

NOTE J – COMMITMENTS AND CONTINGENCIES

During the normal course of business, the District may incur claims and other assertions against it from various agencies and individuals. Management of the District has disclosed that there are no material outstanding claims against the District at December 31, 2016.

NOTE K – PENSION PLANS

Section 401(a) Plan

The District requires all employees to participate in a defined contribution money purchase pension plan (the "Retirement Plan"). The District did not elect to have its employees covered by Social Security and opted to have a money purchase pension plan retirement plan. The Retirement Plan, which is administered by ICMA Retirement Corporation ("ICMA"), offers employees the opportunity to build retirement savings with employee pre-tax contributions of 6.2% of salary for full time employees and 6.2% for seasonal employees. The District matches 6.2% of the full time employees' contributions and 1.3% for seasonal employees with fully vested District contributions.

For 2016, total payroll for employees covered by the Retirement Plan was \$664,855. The District contributed \$17,080 on behalf of eligible employees and the employees contributed \$41,221. All eligible employees were enrolled in the Retirement Plan at December 31, 2016.

The District is the Trustee of the Retirement Plan and has no liability for losses under the Retirement Plan, but does have the duty of due care that would be required of any ordinary prudent investor. Accordingly, the Retirement Plan is not included in the District's financial statements.

The District offers its employees a deferred compensation plan created in accordance with the Internal Revenue Service Code Section 457. The plan permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are to be held in trust for the exclusive benefit of the plan participants and their beneficiaries.

REQUIRED SUPPLEMENTARY INFORMATION

Eagle Ranch Metropolitan District
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
Year ended December 31, 2016 (With Comparative Actual Amounts for 2015)

	2016		2015	
	Original and Final Budget	Actual	Final Budget Variance Positive (Negative)	Actual
Revenues				
Property tax	\$ 1,357,422	\$ 1,347,819	\$ (9,603)	\$ 1,005,260
Specific ownership tax	47,510	64,288	16,778	51,493
Investment earnings	11,400	23,451	12,051	11,536
Total Revenues	<u>1,416,332</u>	<u>1,435,558</u>	<u>19,226</u>	<u>1,068,289</u>
Expenditures				
Treasurer's fees	40,723	40,549	174	30,206
Accounting and audit	43,000	34,654	8,346	39,535
Insurance	3,400	3,400	-	3,116
Legal	5,000	680	4,320	1,079
Other	2,025	576	1,449	31
Office Supplies	2,800	1,702	1,098	2,343
Contingency	25,000	-	25,000	-
Total Expenditures	<u>121,948</u>	<u>81,561</u>	<u>40,387</u>	<u>76,310</u>
Excess (Deficiency) of Revenues Over Expenditures	1,294,384	1,353,997	59,613	991,979
Other Financing Sources (Uses)				
Net operating transfers in (out)	(1,575,000)	(1,263,000)	312,000	(825,000)
Net Other Financing Sources (Uses)	<u>(1,575,000)</u>	<u>(1,263,000)</u>	<u>312,000</u>	<u>(825,000)</u>
Net Change in Fund Balances	(280,616)	90,997	371,613	166,979
Fund Balances-Beginning	<u>1,311,471</u>	<u>1,394,271</u>	<u>82,800</u>	<u>1,227,292</u>
Fund Balances-Ending	<u>\$ 1,030,855</u>	<u>\$ 1,485,268</u>	<u>\$ 454,413</u>	<u>\$ 1,394,271</u>

Eagle Ranch Metropolitan District
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - WATER TAP FEE SPECIAL REVENUE FUND
For the year ended December 31, 2016 (With Comparative Actual Amounts for 2015)

	2016			2015
	Original and Final Budget	Actual	Final Budget Variance Positive (Negative)	Actual
Revenues				
Tap fees	\$ 100,000	\$ 22,500	\$ (77,500)	\$ 24,000
Total Revenues	100,000	22,500	(77,500)	24,000
Expenditures				
Tap fees- Town of Eagle and Developer	100,000	22,500	77,500	24,000
Total Expenditures	100,000	22,500	77,500	24,000
Excess (Deficiency) of Revenues Over Expenditures	-	-	-	-
Fund Balances-Beginning	28	28	-	28
Fund Balances-Ending	<u>\$ 28</u>	<u>\$ 28</u>	<u>\$ -</u>	<u>\$ 28</u>

SUPPLEMENTARY INFORMATION

Eagle Ranch Metropolitan District
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - DEBT SERVICE FUND
For the year ended December 31, 2016 (With Comparative Actual Amounts for 2015)

	2016		2015	
	Original and Final Budget	Actual	Final Budget Variance Positive (Negative)	Actual
Revenues:				
Property tax	\$ 814,453	\$ 808,691	\$ (5,762)	\$ 1,005,260
Specific ownership tax	28,506	38,573	10,067	51,493
Investment earnings	1,000	2,117	1,117	1,588
Total Revenues	<u>843,959</u>	<u>849,381</u>	<u>5,422</u>	<u>1,058,341</u>
Expenditures				
Treasurer's fees	24,434	24,329	105	30,207
Agent fees	850	850	-	850
Debt service:				
Principal	830,000	830,000	-	800,000
Interest	631,826	631,826	-	660,791
Refunding bond issuance costs	-	-	-	-
Contingency	5,000	-	5,000	-
Total Expenditures	<u>1,492,110</u>	<u>1,487,005</u>	<u>5,105</u>	<u>1,491,848</u>
Excess (Deficiency) of Revenues Over Expenditures	(648,151)	(637,624)	10,527	(433,507)
Other Financing Sources (Uses)				
Net operating transfers in (out)	649,000	637,000	(12,000)	435,000
Net Other Financing Sources (Uses)	<u>649,000</u>	<u>637,000</u>	<u>(12,000)</u>	<u>435,000</u>
Net Change in Fund Balance	849	(624)	(1,473)	1,493
Fund Balances-Beginning	101,017	101,731	714	100,238
Fund Balances-Ending	<u>\$ 101,866</u>	<u>\$ 101,107</u>	<u>\$ (759)</u>	<u>\$ 101,731</u>

Eagle Ranch Metropolitan District
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL - GOLF PROPRIETARY FUND
For the year ended December 31, 2016 (With Comparative Actual Amounts for 2015)

	2016			2015
	Original and Final Budget	Actual	Final Budget Variance Positive (Negative)	Actual
Revenues:				
Green fees	\$ 665,525	\$ 623,566	\$ (41,959)	\$ 670,460
Cart rentals	188,700	182,418	(6,282)	184,378
Golf revenue-other	83,807	70,474	(13,333)	90,801
Golf Shop revenue	116,790	117,985	1,195	123,211
Food and beverage revenue	154,200	141,906	(12,294)	153,965
Interest income	50	29	(21)	60
Sale of capital assets	79,200	79,200	-	11,650
Other revenue	-	4,500	4,500	2,884
Transfer from other funds	926,000	626,000	(300,000)	390,000
Total Revenues	2,214,272	1,846,078	(368,194)	1,627,409
Expenditures				
Operations				
Golf course maintenance	592,763	574,978	17,785	574,684
General and administrative	256,593	263,435	(6,842)	246,749
Golf operations	250,604	246,852	3,752	253,309
Golf Shop merchandise	83,395	83,482	(87)	91,320
Food and beverage operations	80,394	69,496	10,898	73,109
Clubhouse operations	61,562	58,042	3,520	56,452
Food and beverage merchandise	63,230	55,982	7,248	61,083
Marketing	40,150	33,108	7,042	37,551
Golf Shop operations	12,667	16,998	(4,331)	10,401
Capital outlay	772,281	442,770	329,511	222,022
Total Expenditures	2,213,639	1,845,143	368,496	1,626,680
Net Income (Loss) Non-GAAP Basis	\$ 633	935	\$ 302	729
Reconciliation to GAAP Basis				
Depreciation and amortization		(270,586)		(239,725)
Capitalized expenditures		422,702		183,137
Net book value of assets disposed		(10,280)		-
Change in accrued compensated absences		(1,246)		4,213
Net Income (Loss) GAAP Basis		\$ 141,525		\$ (51,646)