

**HIGHFIELD METROPOLITAN DISTRICT
Douglas County, Colorado**

**FINANCIAL STATEMENTS
December 31, 2016**



RECEIVED

By the Office of the State Auditor at 10:02 am, Sep 27, 2017

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	1
 BASIC FINANCIAL STATEMENTS	
 Government-wide Financial Statements	
Statement of Net Position	1
Statement of Activities	2
 Fund Financial Statements	
Balance Sheet - Governmental Funds	3
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	4
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	5
General Fund - Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	6
Notes to Financial Statements	7
 SUPPLEMENTARY INFORMATION	 18
Debt Service Fund - Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	19
Capital Projects Fund - Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	20
Schedule of Debt Service Requirements to Maturity	21
Five Year Summary of Assessed Valuation, Mill Levy and Property Taxes Collected	22

Independent Auditor's Report

Board of Directors
Highfield Metropolitan District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Highfield 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 an opinion on these financial statements based on our audits. We conducted our audits 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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 the Highfield Metropolitan District as of December 31, 2016, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Management has omitted the 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 statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. 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 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

L. Paul Goedecke P.C.

L. Paul Goedecke, P.C.
September 15, 2017

BASIC FINANCIAL STATEMENTS

**HIGHFIELD METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
December 31, 2016**

	Governmental Activities
ASSETS	
Cash	\$ 30,959
Cash - Restricted	113,010
Receivable from County Treasurer	1,822
Property taxes receivable	261,350
Prepaid expense	2,304
Total assets	409,445
LIABILITIES	
Accounts payable	1,586
Accrued interest payable	8,703
Noncurrent liabilities	
Due in one year	85,000
Due in more than one year	4,849,213
Total liabilities	4,944,502
DEFERRED INFLOWS OF RESOURCES	
Property tax revenue	261,350
Total deferred inflows of resources	261,350
NET POSITION	
Restricted for:	
Emergency reserves	1,600
Debt service	104,165
Unrestricted	(4,902,172)
Total net position	\$ (4,796,407)

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**HIGHFIELD METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
Year Ended December 31, 2016**

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Government activities:					
General government	\$ 39,992	\$ -	\$ -	\$ -	\$ (39,992)
Interest and related costs on long-term debt	205,727	-	-	-	(205,727)
	<u>\$ 245,719</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(245,719)</u>
General revenues:					
Property taxes					234,154
Specific ownership taxes					21,543
Net investment income					316
Total general revenues					<u>256,013</u>
Change in net position					10,294
Net position - Beginning					<u>(4,806,701)</u>
Net position - Ending					<u>\$ (4,796,407)</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**HIGHFIELD METROPOLITAN DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2016**

	General	Debt Service	Capital Projects	Total Governmental Funds
ASSETS				
Cash	\$ 30,959	\$ -	\$ -	\$ 30,959
Cash - Restricted	1,600	111,410	-	113,010
Receivable from County Treasurer	364	1,458	-	1,822
Property taxes receivable	52,270	209,080	-	261,350
Prepaid expense	2,304	-	-	2,304
Total assets	<u>\$ 87,497</u>	<u>\$ 321,948</u>	<u>\$ -</u>	<u>\$ 409,445</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Accounts payable	\$ 1,586	\$ -	\$ -	\$ 1,586
Total liabilities	<u>1,586</u>	<u>-</u>	<u>-</u>	<u>1,586</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred property tax revenue	52,270	209,080	-	261,350
Total deferred inflows of resources	<u>52,270</u>	<u>209,080</u>	<u>-</u>	<u>261,350</u>
FUND BALANCES				
Nonspendable:				
Prepaid expense	2,304	-	-	2,304
Restricted for:				
Emergency reserves	1,600	-	-	1,600
Debt service	-	112,868	-	112,868
Assigned:				
Subsequent year's expenditures	8,526	-	-	8,526
Unassigned	21,211	-	-	21,211
Total fund balances	<u>33,641</u>	<u>112,868</u>	<u>-</u>	<u>146,509</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 87,497</u>	<u>\$ 321,948</u>	<u>\$ -</u>	

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

Long-term liabilities, including developer advances and accrued interest, are not due and payable in the current period and, therefore, are not recorded as liabilities in the funds.

Bonds payable	(3,873,740)
Accrued interest payable	(8,703)
Developer advances payable	(1,011,459)
Interest payable - Developer advance	(49,014)
	<u>\$ (4,796,407)</u>

These financial statements should be read only in connection with the accompanying notes to financial statements.

HIGHFIELD METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended December 31, 2016

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
REVENUES				
Property taxes	\$ 46,831	\$ 187,323	\$ -	\$ 234,154
Specific ownership taxes	4,309	17,234	-	21,543
Net investment income	-	316	-	316
Total revenues	<u>51,140</u>	<u>204,873</u>	<u>-</u>	<u>256,013</u>
EXPENDITURES				
Current				
Accounting	11,646	-	-	11,646
Auditing	4,000	-	-	4,000
Legal	16,896	-	-	16,896
County Treasurer's fees	703	2,814	-	3,517
Dues and membership	311	-	-	311
Insurance and bonds	2,099	-	-	2,099
SE Detention maintenance	4,272	-	-	4,272
Miscellaneous	65	-	-	65
Debt service				
Loan principal - Series 2014, 2015 and 2016	-	45,000	-	45,000
Loan interest - Series 2014, 2015 and 2016	-	153,771	-	153,771
Non use fee	-	2,653	-	2,653
Paying agent/Trustee fees	-	1,200	-	1,200
Total expenditures	<u>39,992</u>	<u>205,438</u>	<u>-</u>	<u>245,430</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>11,148</u>	<u>(565)</u>	<u>-</u>	<u>10,583</u>
OTHER FINANCING SOURCES (USES)				
Loan issuance	-	-	242,340	242,340
Repay developer advance - principal	-	-	(199,380)	(199,380)
Repay developer advance - interest	-	-	(42,960)	(42,960)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	11,148	(565)	-	10,583
FUND BALANCES - BEGINNING OF YEAR	<u>22,493</u>	<u>113,433</u>	<u>-</u>	<u>135,926</u>
FUND BALANCES - END OF YEAR	<u>\$ 33,641</u>	<u>\$ 112,868</u>	<u>\$ -</u>	<u>\$ 146,509</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**HIGHFIELD METROPOLITAN DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2016**

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

Net changes in fund balances - Total governmental funds	\$	10,583
---	----	--------

Long-term debt (e.g., Developer advances) provides current financial resources to governmental funds, while the repayment of the principal of 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 premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Repayment of developer advance - principal		199,380
Repayment of developer advance - interest		42,960
Current year bond and loan principal payments		45,000
Loan issuance		(242,340)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Accrued interest on Developer advances - Change in liability		(49,448)
Accrued interest on loan - Change in liability		4,159

Change in net position of governmental activities	\$	<u>10,294</u>
---	----	---------------

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**HIGHFIELD METROPOLITAN DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
December 31, 2016**

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Property taxes	\$ 46,831	\$ 46,831	\$ -
Specific ownership taxes	4,215	4,309	94
Total revenues	<u>51,046</u>	<u>51,140</u>	<u>94</u>
EXPENDITURES			
General and administration			
Accounting	15,000	11,646	3,354
Auditing	4,500	4,000	500
Consulting expense	1,000	-	1,000
Legal	15,000	16,896	(1,896)
County Treasurer's fees	702	703	(1)
Dues and membership	500	311	189
Insurance and bonds	2,110	2,099	11
Miscellaneous	500	65	435
Contingency	9,188	-	9,188
Operations and maintenance			
Lot 13A retaining wall & signage maintenance	3,000	-	3,000
SE Detention maintenance	7,500	4,272	3,228
Total expenditures	<u>59,000</u>	<u>39,992</u>	<u>19,008</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(7,954)	11,148	19,102
FUND BALANCES - BEGINNING OF YEAR	<u>9,658</u>	<u>22,493</u>	<u>12,835</u>
FUND BALANCES - END OF YEAR	<u>\$ 1,704</u>	<u>\$ 33,641</u>	<u>\$ 31,937</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**HIGHFIELD METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 1 - DEFINITION OF REPORTING ENTITY

Highfield Metropolitan District, (The District), a quasi-municipal corporation and a political subdivision of the State of Colorado, was organized by order and decree of the District Court on November 21, 2007, 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 within the boundaries of Douglas County, Colorado. The District was organized to provide financing for the construction of streets, safety control, transportation, water systems, drainage systems, television relay and translator, parks and recreation facilities, mosquito control and operation and maintenance of the District. The District held its organizational meeting on January 21, 2008.

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

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

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.

**HIGHFIELD METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 District 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 and specific ownership taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. The District has determined that Developer advances are not considered as revenue susceptible to accrual. Expenditures, other than interest on long-term obligations are recorded when the liability is incurred or the long-term obligation is due.

The District reports the following major governmental 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 Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term debt of the governmental funds.

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

**HIGHFIELD METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall of 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 has incurred expenditures in excess of appropriation for the year ended December 31, 2016 in the Capital Projects Fund, which may be in violation of the Local Government Budget Law.

Pooled Cash

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.

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.

Capital Assets

Capital assets, which include infrastructure assets (e.g. roads, parks and recreation improvements, water supply system, and storm and sewer improvements), are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

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

**HIGHFIELD METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 is computed using the straight-line method over the estimated useful lives.

All capital improvements acquired by the District have been conveyed to other entities and removed from the District's financial records.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *deferred property tax revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become 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.

Fund Balance

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

- *Nonspendable fund balance* – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.
- *Restricted fund balance* – The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.

**HIGHFIELD METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- *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.

NOTE 3 - CASH AND INVESTMENTS

Cash and investments as of December 31, 2016, is classified in the accompanying financial statements as follows:

Statement of net position:

Cash and investments	\$ 30,959
Cash and investments - Restricted	<u>113,010</u>
Total cash and investments	<u><u>\$ 143,969</u></u>

Cash and investments as of December 31, 2016, consists of the following:

Deposits with financial institutions	\$ 38,963
Investments	<u>105,006</u>
Total cash and investments	<u><u>\$ 143,969</u></u>

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.

**HIGHFIELD METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

At December 31, 2016, the District's cash deposits had a bank balance of \$38,963 and carrying balance of \$38,963.

Investments

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

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

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

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

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

Fair Value Measurement and Application

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. Investments not measured at fair value and not categorized include governmental money market funds (PFM Funds Governmental Select series); money market funds (generally held by Bank Trust Departments in their role as paying agent or trustee); and CSAFE which record their investments at amortized cost.

**HIGHFIELD METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

As of December 31, 2016, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Value</u>
First American Funds - US Treasury Obligations Money Market - Class D	Weighted average under 60 days	\$ <u>105,006</u>

First American Government Obligation Fund

The debt service money that is included in the trust accounts at U.S. Bank is invested in the First American Government Obligation Fund. This portfolio is a money market mutual fund which invests in U.S. Government Securities, which are fully guaranteed as to principal and interest by the United States, with maturities of 43 days or less and repurchase agreements collateralized by U.S. Government Securities. The Fund is rated AAAM by Standard & Poor's.

NOTE 4 - LONG-TERM OBLIGATIONS

The following is an analysis of the changes in the District's long-term obligations for the year ended December 31, 2016:

	<u>Balance at December 31, 2015</u>	<u>Additions</u>	<u>Retirement of Long-Term Obligations</u>	<u>Balance at December 31, 2016</u>	<u>Due Within One Year</u>
G.O. Limited Tax Loan 2014/2015/2016	\$ 3,676,400	\$ 242,340	\$ 45,000	\$ 3,873,740	\$ 85,000
Developer advances -					
Operations & management	144,511	-	-	144,511	-
Capital	1,066,328	-	199,380	866,948	-
Accrued interest on Developer advances -					
Operations & management	33,586	6,141	-	39,727	-
Capital	8,940	43,307	42,960	9,287	-
	<u>\$ 4,929,765</u>	<u>\$ 291,788</u>	<u>\$ 287,340</u>	<u>\$ 4,934,213</u>	<u>\$ 85,000</u>

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

Series 2014 Loan Agreement

On December 19, 2014, the District entered into a Taxable General Obligation Loan Agreement (2014 Loan) with U.S. Bank N.A. (Lender) in the maximum amount of \$4,250,000. The 2014 Loan was used to establish a debt service reserve, pay for cost of issuance, and repay Developer advances used for the purchase or construction of infrastructure and related costs along with accrued interest. The interest rate of the 2014 Loan is 4.10% through December 19, 2021. After that date, the interest rate will be updated based on the current market rate.

**HIGHFIELD METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 4 - LONG-TERM OBLIGATIONS (CONTINUED)

On October 20, 2015, the District issued \$436,400 additional principal on the existing Taxable General Obligation Loan, Series 2014, for the purpose of reimbursing the Developer for outstanding advances. This addition to the loan also has an anticipated maturity date of December 1, 2044, but carries a fixed interest rate of 3.910% through December 19, 2021, at which time the entire loan will be renewed with a new interest rate determined based on current market value at that time.

On September 29, 2016, the District issued \$242,340 additional principal on the existing Taxable General Obligation Loan, Series 2014, for the purpose of reimbursing the Developer for outstanding advances. This addition to the loan also has an anticipated maturity date of December 1, 2044 but carries a fixed interest rate of 3.230% through December 19, 2021, at which time the entire loan will be renewed with a new interest rate determined based on current market value at that time.

Effective December 1, 2016 the Loan converted to a Tax-exempt Loan and the interest rates on the loan were lowered to the tax exempt rates as follows:

December 19, 2014	\$3,250,000	4.10% to 2.71%
October 20, 2015	\$ 436,400	3.91% to 2.58%
September 29, 2016	\$ 242,340	3.23% to 2.13%

The District's long term obligations will mature as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 85,000	\$ 104,436	\$ 189,436
2018	100,000	102,101	202,101
2019	110,000	99,353	209,353
2020	120,000	96,594	216,594
2021	3,458,740	97,452	3,556,192
	<u>\$ 3,873,740</u>	<u>\$ 499,936</u>	<u>\$ 4,373,676</u>

**HIGHFIELD METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 4 - LONG-TERM OBLIGATIONS (CONTINUED)

Debt Authorization

On November 6, 2007, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$180,000,000 at an interest rate not to exceed 12% per annum. At December 31, 2016, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

	<u>Authorized November 6, 2007 Election</u>	<u>Authorization Used 12/19/2014</u>	<u>Authorization Used 10/20/2015</u>	<u>Authorization Used 09/29/2016</u>	<u>Remaining at December 31, 2016</u>
Streets	\$ 15,000,000	\$ 777,717	\$ -	\$ -	\$ 14,222,283
Water	15,000,000	1,441,669	-	-	13,558,331
Sanitary sewer	15,000,000	1,030,614	-	-	13,969,386
Storm sewer	15,000,000	-	-	-	15,000,000
Parks and recreation	15,000,000	-	-	-	15,000,000
Traffic and safety	15,000,000	-	-	-	15,000,000
Mosquito control	15,000,000	-	-	-	15,000,000
Public transportation	15,000,000	-	-	-	15,000,000
Television relay and translation	15,000,000	-	-	-	15,000,000
Operations and maintenance	15,000,000	-	-	-	15,000,000
Debt refunding	15,000,000	-	-	-	15,000,000
Reimbursements	15,000,000	-	436,400	242,340	14,321,260
	<u>\$ 180,000,000</u>	<u>\$ 3,250,000</u>	<u>\$ 436,400</u>	<u>\$ 242,340</u>	<u>\$ 176,071,260</u>

Pursuant to the Service Plan, the District is permitted to issue bond indebtedness of up to \$15,000,000 at a maximum interest rate of 12% and the maximum underwriting discount is 2%. The Service Plan also limits the total mill levy (debt service and operations combined) to 50.000 mills, as adjusted for changes in the ratio of actual value to assessed value of property within the District.

In the future, the District may issue a portion of the remaining authorized but unissued general obligation debt for purposes of providing public improvements to support development as it occurs within the District's service area.

NOTE 5 - NET POSITION

The District has net position consisting of two components - restricted and unrestricted.

Restricted net position includes assets that are 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 legislations. The District had a restricted net position as of December 31, 2016, as follows:

Restricted net position:	
Emergency reserves	\$ 1,600
Debt service	104,165
Total restricted net position	<u>\$ 105,765</u>

**HIGHFIELD METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 5 - NET POSITION (CONTINUED)

The District has a deficit in unrestricted net position. This deficit amount is a result of the District being responsible for the repayment of bonds issued for public improvements which were conveyed to other entities and which costs were removed from the District's financial records.

NOTE 6 - RELATED PARTIES

The Developer of the property which constitutes the District is Highfield Business Park, LLC (Developer). The members of the Board of Directors of the District are owners of or are otherwise associated with the Developer and may have conflicts of interest in dealing with the District.

Developer Advances

Advance and Reimbursement and Facilities Acquisition Agreement

The District and the Developer have entered into an Advance and Reimbursement and Facilities Acquisition Agreement dated January 21, 2008. Pursuant to the Agreement, the Developer has agreed to advance funds for financing the costs associated with the formation of the District, District operations, and construction of District improvements after formation. Advances made by the Developer shall accrue interest at 8% per annum from the time of deposit into the District's account until repaid. The District shall make payments for the advances, subject to annual appropriation and budget approval, from funds available within any fiscal year and not otherwise required for operations, capital improvements, or debt service costs. The Developer has granted a one-time reduction of interest to the Prime Rate of interest (3.25%) plus a margin of 1.00% effective for advances made January 21, 2008, through December 31, 2016.

NOTE 7 - RISK MANAGEMENT

Except as provided in the Colorado Governmental Immunity Act, §24-10-101, et seq., C.R.S., the District may be 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.

**HIGHFIELD METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 8 - 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 6, 2007, the District voters passed an election question allowing the District to increase property taxes up to \$1,000,000 annually, to pay the District's operations, maintenance and other expenses.

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.

This information is an integral part of the accompanying financial statements.

SUPPLEMENTARY INFORMATION

**HIGHFIELD METROPOLITAN DISTRICT
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2016**

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Property taxes	\$ 187,323	\$ 187,323	\$ -
Specific ownership taxes	16,859	17,234	375
Net investment income	2	316	314
Total revenues	<u>204,184</u>	<u>204,873</u>	<u>689</u>
EXPENDITURES			
Debt service			
County Treasurer's fees	2,810	2,814	(4)
Loan interest	154,345	153,771	574
Loan principal	45,000	45,000	-
Non-use fee	5,000	2,653	2,347
Paying agent/Trustee fees	-	1,200	(1,200)
Total expenditures	<u>207,155</u>	<u>205,438</u>	<u>1,717</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(2,971)	(565)	2,406
FUND BALANCES - BEGINNING OF YEAR	<u>114,740</u>	<u>113,433</u>	<u>(1,307)</u>
FUND BALANCES - END OF YEAR	<u>\$ 111,769</u>	<u>\$ 112,868</u>	<u>\$ 1,099</u>

**HIGHFIELD METROPOLITAN DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2016**

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Total revenues	\$ -	\$ -	\$ -
EXPENDITURES			
Capital projects	50,000	-	50,000
Total expenditures	50,000	-	50,000
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(50,000)	-	50,000
OTHER FINANCING SOURCES (USES)			
Loan issuance	-	242,340	242,340
Developer advance	50,000	-	(50,000)
Repay developer advance - principal	-	(199,380)	(199,380)
Repay developer advance - interest	-	(42,960)	(42,960)
Total other financing sources (uses)	50,000	-	(50,000)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	-	-	-
FUND BALANCES - BEGINNING OF YEAR	1,200	-	(1,200)
FUND BALANCES - END OF YEAR	<u>\$ 1,200</u>	<u>\$ -</u>	<u>\$ (1,200)</u>

**HIGHFIELD METROPOLITAN DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2016**

\$3,928,740

Taxable General Obligation Loan

Series 2014, 2015 and 2016

Dated December 19, 2014, October 20, 2015

and September 29, 2016

Principal due December 1

Interest Rate 4.100% on \$3,250,000;

Interest Rate change effective 12/01/16 to 2.710% and

3.910% on \$436,400 through December 19, 2021;

Interest Rate change effective 12/01/16 to 2.580% and

3.230% on \$242,340 through December 19, 2021;

Interest Rate change effective 12/01/16 to 2.130%

Payable June 1 and December 1

**Bonds and
Interest
Maturing
in the
Year Ending
December 31,**

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 85,000	\$ 104,436	\$ 189,436
2018	100,000	102,101	202,101
2019	110,000	99,353	209,353
2020	120,000	96,594	216,594
2021	125,000	93,033	218,033
on 12/19/2021	3,333,740	4,419	3,338,159
	<u>\$ 3,873,740</u>	<u>\$ 499,936</u>	<u>\$ 4,373,676</u>

**HIGHFIELD METROPOLITAN DISTRICT
 FIVE YEAR SUMMARY OF ASSESSED VALUATION,
 MILL LEVY AND PROPERTY TAXES COLLECTED
 December 31, 2016**

<u>Year Ended December 31,</u>	<u>Prior Year Assessed Valuation for Current Year Property Tax Levy</u>	<u>Mills Levied for</u>		<u>Total Property Taxes</u>		<u>Percent Collected to Levied</u>
		<u>General</u>	<u>Debt Service</u>	<u>Levied</u>	<u>Collected</u>	
2012	\$ 4,870	25.000	0.000	\$ 122	\$ 122	100.0%
2013	\$ 709,180	25.000	0.000	\$ 17,730	\$ 17,730	100.0%
2014	\$ 5,042,920	25.000	0.000	\$ 126,073	\$ 126,073	100.0%
2015	\$ 7,184,980	5.250	19.750	\$ 179,624	\$ 179,624	100.0%
2016	\$ 9,366,170	5.000	20.000	\$ 234,154	\$ 234,154	100.0%

Estimated for
 calendar year ending
 December 31,

2017	\$ 10,454,000	5.000	20.000	\$ 261,350		
------	---------------	-------	--------	------------	--	--

Note:

Property taxes collected in any one year include collection of delinquent property taxes levied in prior years.