



HOLLAND HILLS METROPOLITAN DISTRICT  
FINANCIAL STATEMENTS AND REPORT OF  
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

December 31, 2016



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**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

April 14, 2017

To the Board of Directors  
Holland Hills Metropolitan District

We have audited the accompanying financial statements of Holland Hills Metropolitan District (the 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 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 opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Holland Hills Metropolitan District as of December 31, 2016, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Board of Directors  
Holland Hills Metropolitan District  
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## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 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.

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The budgetary comparison schedule and property tax schedule are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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, the budgetary comparison schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The property tax schedule has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

*Chadwick, Steinkirchner, Davis & Co., P.C.*

HOLLAND HILLS METROPOLITAN DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended December 31, 2016

The Holland Hills Metropolitan District (the "District") was approved by voters on November 7, 2000, and organized by judicial decree on February 28, 2001 for the purpose of providing certain public infrastructure for the benefit of the residents and property owners within the District. The District is located within Pitkin County, Colorado, and serves a 42-acre residential community located near the Town of Basalt, Colorado.

As the managers of the Holland Hills Metropolitan District, we offer readers of the District's financial statements this narrative overview and analysis of the District's financial activities 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 are comprised of two components: 1) Government-wide financial statements; and 2) notes to the financial statements.

The *notes* further explain some of the information in the financial statements and provide more detailed data. The statements are followed by sections of *supplementary* and *other information* that further explain and support the information in the financial statements and enhance the reader's understanding of the audited financial statements.

### *Government-wide Financial Statements*

The financial statements are those of a special-purpose government engaged only in a business-type activity. The 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. Current-year to prior-year comparisons are presented below to help users evaluate the results of the District over the past two years.

The Statement of Net Position presents information on all the District's assets, liabilities and deferred inflows of resources, with the difference between the assets and total liabilities and deferred inflows of resources 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 Revenues, Expenses, and Changes in Net Position 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 business-type activity of the District is the continued operation of a domestic water treatment and distribution system.

HOLLAND HILLS METROPOLITAN DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended December 31, 2016

***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. The District has one fund that is engaged in a business-type activity (providing potable water) and is reported as a proprietary fund.

Proprietary Fund financial statements consist of: a statement of net position; a statement of revenues, expenses and changes in net position; and a statement of cash flows, and are prepared on an accrual basis of accounting.

***Notes to the Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The Notes to the Financial Statements can be found starting on page 11 of this report.

**THE DISTRICT AS A WHOLE**

***Statement of Net Position***

The perspective of the Statement of Net Position is of the District as a whole. Following is a summary of the District's Net Position for the fiscal year 2016 compared to 2015:

	2016	2015
<b><u>ASSETS:</u></b>		
Total Current Assets	\$ 317,990	\$ 318,546
Total Non Current Assets	554,918	596,362
Total Assets	872,908	914,908
<b><u>LIABILITIES:</u></b>		
Total Current Liabilities	105,095	108,664
Long Term Debt – Non-current Portion	456,672	564,007
Total Liabilities	561,767	672,671
<b><u>DEFERRED INFLOWS OF RESOURCES:</u></b>		
Property Taxes	138,470	138,579
<b><u>NET POSITION:</u></b>		
Net Investment in Capital Assets	(64,900)	(130,973)
Restricted for Emergencies	3,541	3,240
Restricted for Debt Service & Capital Projects	63,146	62,674
Unrestricted	170,884	168,717
Total Net Position	\$ 172,671	\$ 103,658

HOLLAND HILLS METROPOLITAN DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended December 31, 2016

The largest portion of the District's net position is reflected in the net investment in capital assets. The District uses its capital assets to provide potable water to its residents. Accordingly, these assets are not an available source for payment of future operational spending.

The positive balance in net position in 2016 indicates the *current* available resources are larger than the District's *long-term* commitments. This increase is mainly due to the continued retirement of the District's *long-term* debt. The amount reported as *Net Investment in Capital Assets* is computed by adding Capital Assets (net of depreciation) and subtracting the outstanding bonds (bonds payable, current and non-current portions) that were used to purchase the capital improvements. These figures can be found on page 8 of this report.

In the District, the cost of the water system assets is being depreciated over 25 to 40 years, while the remaining refinanced bonds are being paid off over the next 5 years. The District refinanced its 2002 series General Obligation Bonds in December of 2012 resulting in a net present value savings of \$88,111 over the remaining life of the refinanced bonds. See page 17 of this report for more information on long-term debt.

***Statement of Revenues, Expenses, and Changes in Net Position***

The Statement of Revenues, Expenses, and Changes in Net Position reflects general property taxes and service revenues and the cost of providing services to the District. The following summary reflects the overall change in net position for the fiscal year 2016 compared to 2015:

	2016	2015
<b><u>REVENUES:</u></b>		
Property and Ownership Taxes	\$ 143,172	\$ 135,467
Fees & Charges	83,369	84,213
Interest and Investment Earnings	1,668	737
Total Revenues and Other Financing Sources	228,209	220,417
<b><u>EXPENSES:</u></b>		
County Treasurer's Fees	6,932	6,428
Insurance	3,766	3,174
Interest Expense	10,161	12,421
Management & Professional Fees	29,259	43,013
Operations & Maintenance	67,162	71,547
Depreciation & Amortization	41,916	41,909
Total Expenses and Other Financing Uses	159,196	178,492
<b><u>CHANGE IN NET POSITION:</u></b>		
Net Position, Beginning	69,013	41,925
Net Position, Ending	\$ 172,671	\$ 103,658

HOLLAND HILLS METROPOLITAN DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended December 31, 2016

***FINANCIAL ANALYSIS OF THE DISTRICT'S FUND***

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

**Business-Type (Proprietary) Fund**

Please refer to the tables above, and to pages 8 and 9 of this report, for the following analysis. The ending Net Position of the Proprietary, or Business-Type Fund increased by \$69,013 from \$103,658 to \$172,671 for the fiscal year ended December 31, 2016. This is primarily due to an increase in property tax revenue of \$7,735 combined with a decrease in management fees, operation and maintenance expenses, and interest expense of totaling \$40,696. These savings were primarily due to lower-than-budgeted costs for operations and maintenance expense, management fees, interest expense, and the unused contingency expense.

In the Proprietary Fund, 2016 operating revenues (water-related service fees and assessments) were \$83,291 (see the top of page 9), remained virtually the same as 2015. Non-operating revenues, consisting primarily of property and specific ownership taxes and interest income, were \$144,918 reflecting an increase of 6.4% or \$8,714 compared to 2015. This is primarily due to an increase in property tax receipts based on increased property valuations. Operating expenses in 2016, consisting of management, professional fees, insurance, operations and maintenance costs, decreased by \$17,547 or 11.0%, when compared to 2015. Non-operating expenses, consisting of treasurer's fees and debt service interest decreased by \$1,749. This savings is primarily due to the decrease in bond interest expense of \$2,260 reflective of the 2012 bond refinancing. Amortization and depreciation remained virtually the same for 2016 as 2015.

***BUDGET VARIANCES***

A summary of budget-to-actual expenses for the Proprietary Fund can be found on page 20 of this report. Overall 2016 revenues were slightly over budgeted projections, by \$3,230. Expenses for 2016, as a whole, were \$53,441 lower than budgeted, and this is primarily the result of a significant savings in operations and maintenance, management fees, unused contingency, and non-operating expenses.

***CAPITAL ASSETS***

The District's net capital assets in 2016 decreased due to current-year depreciation of \$41,262. 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 16 of this report.

**HOLLAND HILLS METROPOLITAN DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended December 31, 2016**

***DEBT ADMINISTRATION***

As of December 31, 2016, the District had \$556,672 in general obligation debt. The 2002 series bonds in the amount of \$860,000 (as of 12/20/12) were refunded in December of 2012. The 2012 series bonds will continue to pay for the 2002 construction of a community water system. Interest payments are made semi-annually on June 1<sup>st</sup> and December 1<sup>st</sup> of each year, and principal is due on December 1<sup>st</sup> of each year. The final maturity date is December 1, 2021. See "Notes to the Financial Statements," page 17.

***REQUEST FOR INFORMATION***

This financial report is designed to provide our residents, customers, taxpayers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions regarding this report or need additional financial information, please contact the:

Holland Hills Metropolitan District Manager  
c/o The Romero Group, LLC  
208 Midland Avenue, PO Box 4100  
Basalt, CO, 81621-4100  
Telephone: (970) 273-3100  
Fax: (970) 797-1851

Holland Hills Metropolitan District

STATEMENT OF NET POSITION

December 31, 2016

ASSETS			
Current assets			
Cash and cash equivalents		\$	147,108
Receivables			
Accounts receivable			25,312
Property taxes			138,470
Prepaid expenses			7,100
	Total current assets		<u>317,990</u>
Noncurrent assets			
Restricted cash			63,146
Organization costs, net of amortization			-
Capital assets, net of depreciation			491,772
	Total noncurrent assets		<u>554,918</u>
	Total assets		<u>872,908</u>
LIABILITIES			
Current liabilities			
Accounts payable			4,466
Accrued interest payable			629
Current portion of bonds payable			100,000
	Total current liabilities		<u>105,095</u>
Bonds payable, less current portion			456,672
	Total liabilities		<u>561,767</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes			138,470
	Total deferred inflows of resources		<u>138,470</u>
	Total liabilities and deferred inflows of resources		<u>700,237</u>
NET POSITION			
Net investment in capital assets			(64,900)
Restricted for debt service and capital projects			63,146
Restricted for emergencies			3,541
Unrestricted			170,884
	Total net position	\$	<u><u>172,671</u></u>

The accompanying notes are an integral part of this statement.

Holland Hills Metropolitan District

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Year ended December 31, 2016

<hr/>	
Operating revenues	
Service fees and assessments	\$ 83,291
Operating expenses	
Operations and maintenance	40,138
Management fees	8,837
Depreciation	41,262
Accounting and legal fees	20,422
Solid waste collection	17,030
Engineering	4,044
Utilities	3,005
Insurance	3,766
Miscellaneous expenses	2,945
	<u>141,449</u>
	Total operating expenses
	Operating income (loss)
	(58,158)
Non-operating revenues (expenses)	
Property taxes	138,579
Specific ownership tax	4,593
Miscellaneous income	78
Interest income	1,668
Treasurer fees	(6,932)
Amortization	(654)
Interest expense	(10,161)
	<u>127,171</u>
	Total non-operating revenues (expenses)
	Change in net position
	69,013
Net position, beginning of year	<u>103,658</u>
Net position, end of year	<u><u>\$ 172,671</u></u>

The accompanying notes are an integral part of this statement.

Holland Hills Metropolitan District

STATEMENT OF CASH FLOWS

Year ended December 31, 2016

<b>Cash flows from operating activities</b>		
Cash received from charges for services	\$	79,358
Cash payments to suppliers		(106,368)
Net cash provided by (used in) operating activities		<u>(27,010)</u>
<b>Cash flows from noncapital financing activities</b>		
Cash received from property tax collections		143,172
Treasurer fees paid		(6,932)
Other receipts		78
Net cash provided by (used in) noncapital financing activities		<u>136,318</u>
<b>Cash flows from capital and related financing activities</b>		
Principal payments on long-term debt		(100,000)
Interest paid		(17,600)
Net cash provided by (used in) capital and related financing activities		<u>(117,600)</u>
<b>Cash flows from investing activities</b>		
Interest received		<u>1,668</u>
Net cash provided by (used in) investing activities		<u>1,668</u>
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>		(6,624)
Cash and cash equivalents at the beginning of the year		<u>216,878</u>
Cash and cash equivalents at the end of the year	\$	<u><u>210,254</u></u>
<b>Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities</b>		
Operating loss	\$	(58,158)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation		41,262
(Increase) decrease in accounts receivable		(3,933)
(Increase) decrease in prepaid expenses		(2,716)
Increase (decrease) in accounts payable		(3,465)
Total adjustments		<u>31,148</u>
Net cash provided by (used in) operating activities	\$	<u><u>(27,010)</u></u>

The accompanying notes are an integral part of this statement.

Holland Hills Metropolitan District  
NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES**

**1. Organization**

The Holland Hills Metropolitan District (the District) was approved by voters on November 7, 2000, and organized by judicial decree on February 28, 2001, pursuant to provisions set forth in the Colorado Special District Act. The governing body of the District consists of a five member Board of Directors elected by the registered voters within the District. The purpose of the District is to manage the operation of all the facilities and improvements needed for the Holland Hills Metropolitan District, which is located within Pitkin County.

The financial statements of the District have been prepared in accordance with generally accepted accounting principles (“GAAP”) as applied to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District’s accounting policies are described below.

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

**2. Reporting Entity**

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 impose its will on that organization or there is a 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 above, the District is not financially accountable for any other entity, nor is the District a component unit of any other government.

The District is a special-purpose government engaged only in a business-type activity. For this type of government, only enterprise fund financial statements are presented.

**3. Basis of Presentation – Fund Accounting**

The accounts of the District are organized and operated on a fund basis. The operations of a fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows, liabilities, deferred inflows and net position, revenues and expenses. The focus of proprietary fund measurement is upon determination of operating income, changes in net position and cash flows. The generally accepted accounting principles applicable are those similar to those applicable to businesses in the private sector.

Holland Hills Metropolitan District

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

GASB Statement No. 34 sets forth minimum criteria for the determination of major funds to be presented in the financial statements. Since the operations of the District are accounted for on a fund basis in a single enterprise fund, it is the only fund presented.

Enterprise funds may be used to account for operations (a) that are financed and operated in a manner similar to business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**4. Basis of Accounting**

Basis of accounting refers to when revenues or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. Proprietary (enterprise) funds are presented on a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows, liabilities, and deferred inflows associated with the operation of a fund are included on the statement of net position. Net position is categorized as net investment in capital assets, restricted for debt service and capital projects, and unrestricted. Fund operating statements present increases (e.g., revenues and contributions) and decreases (e.g., expenses) in net position. Proprietary funds are presented on an accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred. The District uses the accrual basis of accounting. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first.

Operating revenues and expenses for enterprise funds are those that result from providing services and producing and delivering goods and/or services within the scope of the enterprise operation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Revenues from grants are recognized in the year in which all eligibility requirements have been satisfied.

**5. Cash and Cash Equivalents**

For purposes of the statement of cash flows, the District considers all highly liquid investments with maturities of three months or less, when purchased, to be cash equivalents.

Holland Hills Metropolitan District

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**6. Use of Estimates**

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities, and deferred inflows and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**7. Stewardship, Compliance, and Accountability**

**Budgets and Budgetary Accounting**

In the fall of each year, the District's Board of Directors formally adopts a budget with appropriations by fund for the ensuing year pursuant to the Colorado Local Budget Law. The budget basis of accounting differs from the generally accepted accounting principles (GAAP) basis in that depreciation and amortization are excluded from expenditures, and outlays for the acquisition of capital assets and debt service principal are included as expenditures.

As required by Colorado statutes, the District followed the timetable below in approving and enacting a budget for the ensuing year:

- (1) For the 2016 budget year, prior to August 23, 2015, the County Assessor sent the District the assessed valuation of all taxable property within the District's boundaries.
- (2) On or before October 15, 2015, the District's accountant submitted to the District's Board of Directors a recommended budget which detailed the necessary property taxes needed along with other available revenues to meet the District's operating requirements.
- (3) The Board held a public hearing on the proposed budget and capital program no later than 45 days prior to the close of the fiscal year.
- (4) For the 2016 budget, prior to December 15, 2015, 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.
- (5) For the 2016 budget, the final budget and appropriating resolution was adopted prior to December 31, 2015.

Holland Hills Metropolitan District

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

- (6) 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 those estimated in the budget; c) emergency appropriations; and d) reduction of appropriations for which originally estimated revenues are insufficient.

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

There were no supplemental appropriations during 2016.

**8. Capital Assets**

Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. The District's capitalization policy is to capitalize major outlays for capital assets and improvements that are over \$10,000.

Depreciation is computed using the straight-line method over estimated useful lives, as follows:

	<u>Estimated Lives</u>
Infrastructure	25 to 40 years
Equipment	5 to 25 years
Water system	25 to 40 years

**9. Property Taxes**

Property taxes for 2016, collectible in 2017, were certified by the Pitkin County Commissioners before December 31, 2016. Property taxes attached as an enforceable lien on January 1, 2017 and are due in total April 30, 2017 or in equal installments February 28, 2017 and June 15, 2017, at the option of the taxpayer. Property taxes for 2016, collectible in 2017, are shown as property taxes receivable and deferred inflows on the statement of net position in the amount of the assessed taxes. The County Treasurer remits taxes collected monthly to the District.

**10. Accounts Receivable**

The District considers accounts receivable to be fully collectible. Accordingly, no allowance for doubtful accounts is required.

Holland Hills Metropolitan District

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

11. Organization Costs and Bond Premium Amortization

Organization costs are amortized using the straight-line method over 15 years. The bond premium on the 2012 series general obligation refunding bonds is amortized using the straight-line method over the life of the refunding bonds or 9 years.

**NOTE B – CASH AND CASH EQUIVALENTS**

Cash Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that 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 is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits. At December 31, 2016 the District's cash deposits of \$16,076 were entirely insured.

Investments

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 of behalf of the local government.

The District has invested \$196,745 in the Colorado Local Government 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 the trust. Substantially all securities owned by Colotrust are held by the Federal Reserve Bank in an account maintained for the custodial bank. The custodian's internal records identify the investments owned by the trust. Colotrust funds carry a Standard & Poor's AAAM rating. There is no custodial, interest rate or foreign currency risk exposure. Colotrust is a Level 2 investment in the fair value hierarchy established by GASB Statement No. 72 and is valued using significant observable inputs other than quoted market prices in active markets for identical securities. \$63,146 of Colotrust investments are restricted for use as debt service and certain capital projects as of December 31, 2016.

Holland Hills Metropolitan District

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

**NOTE B – CASH AND CASH EQUIVALENTS – CONTINUED**

As of December 31, 2016, the District’s cash and cash equivalents account balances consist of:

Reconciled cash per bank	\$ 13,509
ColoTrust Investments	<u>196,745</u>
Total cash and cash equivalents	210,254
Less: Restricted cash	<u>(63,146)</u>
Total cash and cash equivalents - unrestricted	<u>\$147,108</u>

**NOTE C – CAPITAL ASSETS**

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

	Balance <u>12/31/15</u>	Additions	Deletions	Balance <u>12/31/16</u>
Capital assets being depreciated				
Equipment	\$ 58,497	\$ -	\$ -	\$ 58,497
Water system	975,673	-	-	975,673
Infrastructure	<u>25,679</u>	-	-	<u>25,679</u>
Total capital assets being depreciated	1,059,849	-	-	1,059,849
Less accumulated depreciation for:				
Equipment	30,613	2,340	-	32,953
Water system	484,476	37,895	-	522,371
Infrastructure	<u>11,726</u>	<u>1,027</u>	-	<u>12,753</u>
Total accumulated depreciation	<u>526,815</u>	<u>41,262</u>	-	<u>568,077</u>
Total capital assets being depreciated, net	<u>\$ 533,034</u>	<u>\$ (41,262)</u>	<u>\$ -</u>	<u>\$ 491,772</u>

Depreciation expense for 2016 was \$41,262.

**NOTE D – ORGANIZATION COSTS**

The District incurred \$9,712 in expense related to the organization of the District. These costs are capitalized for the Statement of Net Position and amortized over the life of bonds issued at the same time. A summary of the activity for the year is as follows:

	Beginning <u>Balance</u>	Additions	Reductions	Ending <u>Balance</u>
Organization costs	\$ 9,712	\$ -	\$ -	\$ 9,712
Accumulated amortization	<u>(9,058)</u>	<u>(654)</u>	-	<u>(9,712)</u>
	<u>\$ 654</u>	<u>\$ (654)</u>	<u>\$ -</u>	<u>\$ -</u>

Holland Hills Metropolitan District

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

**NOTE E – LONG-TERM DEBT**

A summary of the District’s long-term debt obligations follows:

	<u>Balance</u> <u>12/31/15</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/16</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
General Obligation Bonds:					
2012 Refunding Bonds:					
Bonds	\$ 620,000	\$ –	\$ 100,000	\$ 520,000	\$ 100,000
Bond premium	44,007	–	7,335	36,672	7,335
Total 2012 Refunding Bonds	<u>\$ 664,007</u>	<u>\$ –</u>	<u>\$ 107,335</u>	<u>\$ 556,672</u>	<u>\$ 107,335</u>

**2012 Series General Obligation Refunding Bonds**

On December 20, 2012, the District issued \$860,000 in general obligation refunding bonds with interest rates ranging between 1.583% and 3.0%. The District issued the bonds to current refund the outstanding series 2002 general obligation bonds of \$860,000. The bonds were issued with interest due semiannually on June 1 and December 1 of each year, commencing June 1, 2013. Principal payments are due each December 1. The bonds mature in various amounts through December 1, 2021. All of the taxable property within the District is subject to the levy of general ad valorem property taxes to pay principal and interest on the bonds.

The annual requirements to amortize the long-term debt are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 100,000	\$ 15,100	\$ 115,100
2018	100,000	12,600	112,600
2019	105,000	9,600	114,600
2020	105,000	6,450	111,450
2021	<u>110,000</u>	<u>3,300</u>	<u>113,300</u>
	<u>\$ 520,000</u>	<u>\$ 47,050</u>	<u>\$ 567,050</u>

**NOTE F – 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.

Holland Hills Metropolitan District  
 NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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**NOTE G – RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; and general liability. The District is a member of the Colorado Special District Property and Liability Pool (“Pool”) for property and liability insurance.

The Pool was formed by an intergovernmental agreement to provide public officials, property, general and automobile liability coverage for claims up to \$1,000,000, except if the claim falls within the government immunity statute, then the coverage is \$150,000 per person and a \$600,000 aggregate claim. The Pool is reinsured for 80% of the first \$250,000 of all claims and 100% for claims in excess of \$250,000. The District may be required to make additional contributions in the event aggregate losses incurred by the Pool exceed amounts recoverable from reinsurance contracts. 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. Any settled claims are not expected to exceed coverage.

A summary of audited statutory basis financial information for the Pool as of and for the year ended December 31, 2015 (the latest audited information available) is as follows:

	<u>Colorado Special District Property and Liability Pool</u>
Assets	<u>\$ 44,054,744</u>
Liabilities	\$ 24,739,781
Capital and surplus	19,314,963
Total	<u>\$ 44,054,744</u>
Revenues	\$ 16,356,266
Investment income and other	<u>205,186</u>
Total revenue	16,561,452
Expenses	<u>14,839,993</u>
Excess of revenues over expenses	<u>\$ 1,721,459</u>

**NOTE H – 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, which 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 for 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.

Holland Hills Metropolitan District  
NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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**NOTE H – TABOR AMENDMENT – CONTINUED**

TABOR also 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. These reserves are required to be 3% or more of the fiscal year spending (excluding bonded debt service) for fiscal years ended after December 31, 1994. At December 31, 2016, a reserve of \$3,541 was required.

Under TABOR, the initial base for local government-spending and revenue limits is December 31, 2001 fiscal year spending. 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.

In 2001 the District's electorate voted to allow the District to collect, retain and expend revenues notwithstanding any of TABOR's restrictions.

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.

**SUPPLEMENTARY INFORMATION**

Holland Hills Metropolitan District

SCHEDULE OF REVENUES AND EXPENSES  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)

Year ended December 31, 2016

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues			
Service fees and assessments	\$ 83,168	\$ 83,291	\$ 123
Operating expenses			
Operations and maintenance	63,914	40,138	23,776
Management fees	15,500	8,837	6,663
Accounting and legal fees	20,820	20,422	398
Solid waste collection	17,820	17,030	790
Utilities	3,300	3,005	295
Engineering	5,000	4,044	956
Insurance	3,334	3,766	(432)
Miscellaneous expenses	3,030	2,945	85
Contingency	13,474	-	13,474
Total operating expenses	<u>146,192</u>	<u>100,187</u>	<u>46,005</u>
Excess of operating revenues over (under) operating expenses	(63,024)	(16,896)	46,128
Nonoperating revenues			
Property taxes	138,679	138,579	(100)
Specific ownership taxes	2,772	4,593	1,821
Miscellaneous income	210	78	(132)
Interest income	150	1,668	1,518
Total nonoperating revenues	<u>141,811</u>	<u>144,918</u>	<u>3,107</u>
Nonoperating expenses			
Treasurer fees	6,929	6,932	(3)
Interest expense	17,600	10,161	7,439
Debt service principal	100,000	100,000	-
Total nonoperating expenses	<u>124,529</u>	<u>117,093</u>	<u>7,436</u>
Excess of revenues over (under) expenses	<u>\$ (45,742)</u>	10,929	<u>\$ 56,671</u>
Adjustments to GAAP basis			
Depreciation and amortization		(41,916)	
Debt service principal payments		100,000	
Change in net position		<u>\$ 69,013</u>	

**OTHER INFORMATION**

Holland Hills Metropolitan District

SCHEDULE OF ASSESSED VALUATION, MILL LEVY  
AND PROPERTY TAXES COLLECTED

December 31, 2016

Calendar Year Ended December 31	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied	Total Property Taxes		Percent Collected to Levied
			Levied	Collected	
2005	\$ 2,091,440	55.416	\$ 115,900	\$ 116,821	100.79%
2006	2,268,960	55.435	125,780	125,780	100.00%
2007	2,260,780	54.811	123,916	123,916	100.00%
2008	3,394,610	48.143	163,427	163,369	99.97%
2009	3,402,320	46.277	157,449	157,449	100.00%
2010-General	4,985,840	10.615	52,925	52,925	100.00%
2010-Bonds	5,192,500	21.641	112,368	112,367	100.00%
2011-General	4,986,470	10.291	51,316	51,251	99.87%
2011-Bonds	5,193,430	26.008	135,071	129,526	95.89%
2012-General	2,956,070	11.163	32,999	33,732	102.22%
2012-Bonds	3,079,000	35.783	110,176	112,889	102.46%
2013-General	2,953,520	10.718	31,656	31,656	100.00%
2013-Bonds	3,076,450	36.229	111,457	111,457	100.00%
2014-General	2,617,170	10.047	26,295	26,295	100.00%
2014-Bonds	2,740,450	39.215	107,467	108,604	101.06%
2015-General	2,622,710	10.047	26,350	26,350	100.00%
2015-Bonds	2,745,990	38.467	105,630	105,630	100.00%
2016-General	2,928,040	12.060	35,312	35,312	100.00%
2016-Bonds	3,051,090	33.846	103,267	103,267	100.00%
2017-General	2,927,970	12.919	37,826		
2017-Bonds	3,051,020	32.987	100,644		

Note:

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