

SOLITUDE METROPOLITAN DISTRICT
Douglas County, Colorado
—
FINANCIAL STATEMENTS
December 31, 2016

L. PAUL GOEDECKE P.C.
CERTIFIED PUBLIC ACCOUNTANTS



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Independent Auditor's Report

Board of Directors
Solitude Metropolitan District
Douglas County, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Solitude 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 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 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 Solitude 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.

Economic Dependency

The District has not yet established a revenue base sufficient to pay its operational expenditures. As discussed in Note 9, the District is dependent upon the Developer of the District's service area to provide funds for such expenditures.

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.
July 19, 2017

SOLITUDE METROPOLITAN DISTRICT

**GOVERNMENTAL FUNDS BALANCE SHEET/STATEMENT OF NET POSITION
December 31, 2016**

	General Fund	Debt Service Fund	Capital Projects Fund
ASSETS			
Cash and investments	\$ 3,450	\$ -	\$ -
Property taxes receivable	17	145	-
Prepaid expenses	5,773	-	-
Capital assets not being depreciated	-	-	-
	Total assets	145	-
LIABILITIES			
Accounts payable	4,013	-	-
Accrued interest on bonds	-	-	-
Unpaid interest on Limited Tax Bonds	-	-	-
Interest payable – Subordinate Bonds	-	-	-
Long term liabilities:	-	-	-
Due within one year	-	-	-
Due in more than one year	-	-	-
	Total liabilities	-	-
DEFERRED INFLOW OF RESOURCES			
Property tax revenue	17	145	-
	Total deferred inflow of resources	145	-
FUND BALANCE			
Restricted:			
Emergencies	1,600	-	-
Unassigned	3,610	-	-
	Total fund balances	-	-
Total liabilities and fund balance	\$ 9,240	\$ 145	\$ -
NET POSITION			
Restricted for:			
Emergencies			
Unrestricted			
Total net position			

	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$	3,450	\$ -	\$ 3,450
	162	-	162
	5,773	-	5,773
	-	2,490,166	2,490,166
	<u>9,385</u>	<u>2,490,166</u>	<u>2,499,551</u>
	4,013	-	4,013
	-	17,938	17,938
	-	359,891	359,891
	-	800,000	800,000
	-	240,000	240,000
	<u>-</u>	<u>4,530,000</u>	<u>4,530,000</u>
	<u>4,013</u>	<u>5,947,829</u>	<u>5,951,842</u>
		-	162
	<u>161</u>	<u>-</u>	<u>162</u>
	600	(1,600)	-
	<u>8,613</u>	<u>(3,610)</u>	<u>-</u>
	<u>9,213</u>	<u>(5,210)</u>	<u>-</u>
\$	<u><u>9,652</u></u>		
		1,600	1,600
		(3,454,053)	(3,454,053)
		<u>\$ (3,452,453)</u>	<u>\$ (3,452,453)</u>

NOTE: The accompanying notes are an integral part of the financial statements.

SOLITUDE METROPOLITAN DISTRICT

**STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2016**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>
EXPENDITURES			
Accounting and audit	\$ 5,275	\$ -	\$ -
Directors fees	500	-	-
Maintenance	42,320	-	-
Insurance	5,652	-	-
Legal	3,355	-	-
Management fees	10,000	-	-
Miscellaneous expenses	2,282	-	-
Treasurer's fees	2	-	-
Bond interest expense	-	-	-
Paying agent fees	-	300	-
Total expenditures/expenses	<u>69,386</u>	<u>300</u>	<u>-</u>
GENERAL REVENUES			
Specific ownership taxes	15	-	-
Interest income	-	162	6
Total revenues	<u>15</u>	<u>162</u>	<u>6</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(69,371)</u>	<u>(138)</u>	<u>6</u>
OTHER FINANCING SOURCES (USES)			
Developer advances	65,500	-	-
Transfers in (out)	(132)	138	(6)
Total other financing sources (uses)	<u>65,368</u>	<u>138</u>	<u>(6)</u>
NET CHANGES IN FUND BALANCES	(4,003)	-	-
CHANGE IN NET POSITION			
FUND BALANCE/NET POSITION:			
BEGINNING OF YEAR	<u>9,213</u>	<u>-</u>	<u>-</u>
END OF YEAR	<u>\$ 5,210</u>	<u>\$ -</u>	<u>\$ -</u>

<u>Total</u>	<u>Adjustments Note 11</u>	<u>Statement of Activities</u>
\$ 5,275	\$ -	\$ 5,275
500	-	500
42,320	-	42,320
5,652	-	5,652
3,355	-	3,355
10,000	-	10,000
2,282	-	2,282
2	-	2
-	329,688	329,688
300	-	300
<u>69,686</u>	<u>329,688</u>	<u>399,374</u>
15	-	15
168	-	168
<u>183</u>	<u>-</u>	<u>183</u>
<u>(69,503)</u>	<u>(329,688)</u>	<u>(399,191)</u>
65,500	-	65,500
-	-	-
<u>65,500</u>	<u>-</u>	<u>65,500</u>
(4,003)	4,003	-
	(333,691)	(333,691)
9,213	(3,127,975)	(3,118,762)
<u>\$ 5,210</u>	<u>\$ (3,457,663)</u>	<u>\$ (3,452,453)</u>

NOTE: The accompanying notes are an integral part of the financial statements.

SOLITUDE METROPOLITAN DISTRICT
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GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL
Year Ended December 31, 2016

	Original Budget	Amended & Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 16	\$ -	\$ -	\$ -
Specific ownership taxes	16	15	15	-
Interest income	3	-	-	-
Total revenues	35	15	15	-
EXPENDITURES				
Accounting and audit	5,200	5,275	5,275	-
Directors fees	500	500	500	-
Maintenance	35,000	42,320	42,320	-
Insurance	5,000	5,652	5,652	-
Legal	4,524	3,355	3,355	-
Management fees	10,000	10,000	10,000	-
Miscellaneous expenses	1,301	2,282	2,282	-
Treasurer's fees	-	2	2	-
Total expenditures	61,525	69,386	69,386	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(61,490)	(69,371)	(69,371)	-
OTHER FINANCING SOURCES (USES)				
Developer advances	61,530	65,500	65,500	-
Forgiveness of debt	-	-	-	-
Transfers in (out)	(40)	(132)	(132)	-
Total other financings sources (uses)	61,490	65,368	65,368	-
NET CHANGE IN FUND BALANCE	-	(4,003)	(4,003)	-
FUND BALANCE:				
BEGINNING OF YEAR	-	9,213	9,213	-
END OF YEAR	\$ -	\$ 5,210	\$ 5,210	\$ -

NOTE: The accompanying notes are an integral part of the financial statements.

SOLITUDE METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 1 – DEFINITION OF REPORTING ENTITY

Definition of Reporting Entity

Solitude Metropolitan District (The District), a quasi-municipal corporation, was organized in November 2002 and is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in Douglas County, Colorado. The District was established to finance, design, acquire and construct a central water system including all improvements, water rights, wells, water storage, treatment and storm drainage improvements.

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

The accompanying financial statements are presented per GASB Statement No. 34 – Special Purpose Governments.

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. Property taxes are recognized as revenues in the year for which they are levied.

SOLITUDE METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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 period. The material sources of revenue subject to accrual are property taxes and interest. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is paid.

The government reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the District. It is used to account for all financial resources not accounted for and reported in another fund.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources that are restricted, committed or assigned to expenditures for principal, interest and other debt related costs.

Capital Projects Fund – The Capital Projects Fund is used to account for all financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other assets.

Fund Balances

Beginning with fiscal year 2011 the District implemented GASB Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.” This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balances more transparent. In the fund financial statements the following classifications describe the relative strength of the spending constraints.

Non-spendable fund balance – The portion of fund balance that cannot be spent because it is either not in spendable form (such as inventory) or is legally or contractually required to be maintained intact.

Restricted fund balance – The portion of fund balance constrained to being used for a specific purpose by external parties (such as grantors or bondholders), constitutional provisions or enabling legislation.

SOLITUDE 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 constrained for specific purposes according to limitations imposed by the District’s highest level of decision making authority, the Board of Directors prior to the end of the current fiscal year. 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 above criteria.

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

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.

Subsequent to the year end the District modified the appropriation of the General Fund from \$61,565 to \$ 69,518.

Cash

The District follows the practice of pooling cash of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a single bank account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund’s average equity balance in the total cash.

SOLITUDE METROPOLITAN DISTRICT
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NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes

Property taxes are levied by the District 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 assess the property tax obligation of 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 at the taxpayers election, in equal installments in February and June. Delinquent taxpayers are notified in August and the sales of the resultant tax liens on delinquent properties are generally 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 inflows in the year they are levied and measurable. The deferred property tax revenues are recorded as revenue in the year they are available or collected.

Restricted Fund Balance

Emergency Reserves have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado. \$ 1,600 of the General Fund balance has been restricted in compliance with this requirement.

NOTE 3 - CASH AND INVESTMENTS

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

Statement of net position:

Cash and investments	\$ 3,450
	\$ 3,450

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

Deposits with financial institutions	\$ 2,395
Investments - Colotrust	1,053
Investments – Money Market	2
	\$ 3,450

SOLITUDE METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

Cash Deposits

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

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

At December 31, 2016, the District's cash deposits had a bank balance of \$ 2,395 and a carrying balance of \$ 2,395.

Investments

Credit Risk

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

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. 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) and money market funds (generally held by Bank Trust Departments in their role as Paying Agent or Trustee), CSAFE, which record their investments at amortized cost.

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

The District has invested in COLOTRUST, an external investment pool that records its investments at fair value and is categorized as a level 2 investment.

SOLITUDE METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

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

The District generally limits its concentration of investments to those noted with an asterisk (*) above, which are believed to have minimal credit risk; minimal interest rate risk and no foreign currency risk.

The local government investment pools include the Colorado Local Government Liquid Assets Trust (ColoTrust) rated AAAM by Standard & Poor's.

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>
Colorado Liquid Asset Trust	Less than 60 days	\$ 1,053
Federated Treasury Obligations Fund	397 days or less	\$ 2

COLOTRUST

As of December 31, 2016, the District had invested in the Colorado Local Government Liquid Asset Trust (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commission administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. As of December 31, 2016, the District has \$1,053 invested in COLOTRUST PRIME.

SOLITUDE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

Federated Treasury Obligations Fund

During 2016, the District’s funds that were included in the trust accounts at the UMB Bank were invested in the Federated Treasury Obligations Fund. This fund is a money market fund and each share is equal in value to \$1.00. The fund is AAAM rated and invests exclusively in U.S. Treasury securities and repurchase agreements collateralized by the U.S. Treasury securities. The maturity of the underlying securities is 397 days or less. As of December 31, 2016, the District has \$ 2 invested in the fund, all of which was restricted for the repayment of bond principal and interest.

NOTE 4 – LONG-TERM OBLIGATIONS

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

	<u>Balance at 1/1/2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 12/31/2016</u>	<u>Due Within One Year</u>
Subordinate G.O. Limited Tax Bonds, Series 2006	\$ 1,250,000	\$ -	\$ -	\$ 1,250,000	\$ -
Senior General Obligation Limited Tax Bonds, Series 2006	3,520,000	-	-	3,520,000	240,000
	<u>\$ 4,770,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,770,000</u>	<u>\$ 240,000</u>

The details of the Districts long-term obligation are as follows:

\$3,750,000 Senior General Obligation Limited Tax Bonds, Series 2006 and \$1,250,000 Subordinate General Obligation Limited Tax Bonds, Series 2006. The bonds are term bonds in the amount of \$3,750,000 due December 1, 2026 and term bonds in the amount of \$1,250,000 due December 1, 2028. The term bonds require mandatory redemption commencing in 2013 to 2026 and 2026 to 2028, respectively. The bonds are subject to redemption prior to maturity on December 1, 2016 at the option of the District, upon payment, at par plus accrued interest, with no redemption premium. The bonds are payable from a limited debt service mill levy not in excess of 50 mills, subject to adjustment related to future changes in the method of calculating the Districts assessed valuation. Interest is payable semiannually at 7.00% and 8.00% respectively.

SOLITUDE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 4 – LONG-TERM OBLIGATIONS (CONTINUED)

The Districts long-term bond obligations will mature as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016 Unpaid on Subordinate Bonds	\$ —	\$ 800,000	\$ 800,000
*2015	220,000	128,891	348,891
*2016	225,000	331,000	556,000
2017	240,000	315,250	555,250
2018	260,000	298,450	558,450
2019	275,000	280,250	555,250
2020	295,000	261,000	556,000
2021-2025	1,820,000	964,450	2,784,450
2026-2028	1,435,000	233,350	1,668,350
	<u>\$ 4,770,000</u>	<u>\$ 3,612,641</u>	<u>\$ 8,382,641</u>

*Unpaid as of December 31, 2016

At December 31, 2016, the District had no authorized but unissued indebtedness as the service plan limited the debt authorization to \$5,000,000.

NOTE 5 – CAPITAL ASSETS

Capital Assets – Governmental Funds

An analysis of the changes in capital assets for the year ended December 31, 2016 follows:

<u>Governmental Activities</u>	<u>Balance at 1/1/2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at 12/31/2016</u>
Capital assets, not being depreciated				
Construction in progress	\$ 2,490,166	\$ -	\$ -	\$ 2,490,166
Total capital assets	<u>\$ 2,490,166</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,490,166</u>

Capital assets owned by the District will be transferred to other governmental entities; therefore, the District does not record depreciation on capital assets.

NOTE 6 – NET POSITION

The District has Net Position consisting of two components- restricted and unrestricted.

Restricted assets include Net Position 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 legislation.

SOLITUDE METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 6 – NET POSITION (CONTINUED)

The District had an unrestricted deficit balance of \$(3,454,053) as of December 31, 2016, due to the previous dedication of assets to other governments for which the District remains liable for related debt.

NOTE 7 – RELATED PARTY INFORMATION

The members of the Board of Directors of the District are employees, owners or associated with the Developer of the District, and may have conflicts of interest in dealing with the District. The subordinate bonds are held by an entity associated with the developer. (See Note 4).

NOTE 8 – RISK MANAGEMENT

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

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2016. 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 and public officials liability coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

NOTE 9 – ECONOMIC DEPENDENCY

The District has not yet established a revenue base sufficient to pay the District's operational expenditures. Until an independent revenue base is established, continuation of operations in the District will be dependent upon funding by the Developer to advance funds for operations.

NOTE 10 – TAX, SPENDING AND DEBT LIMITATIONS

In November 1992, the voters of Colorado approved Amendment 1, commonly known as the Taxpayer's Bill of Rights (TABOR), which adds a new Section 20 to Article X of the Colorado Constitution. TABOR contains tax, spending, revenue and debt limitations, which apply to the State of Colorado and all local governments.

SOLITUDE METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 10 – TAX, SPENDING AND DEBT LIMITATIONS (CONTINUED)

Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR.

The initial base for local government spending and revenue limits is 1992 Fiscal Year Spending. Future spending and revenue limits are determined based on the prior year's Fiscal Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 1% of Fiscal Year Spending (excluding bonded debt service) in 1993, 2% in 1994 and 3% thereafter. Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

TABOR requires, with certain exceptions, voter approval prior to imposing new taxes, increasing a tax rate, increasing a mill levy above that for the prior year, extending an expiring tax, or implementing a tax policy change directly causing a net tax revenue gain to any local government.

Except for bond refinancing at lower interest rates or adding employees to existing pension plans, TABOR specifically prohibits the creation of multiple-fiscal year debt or other financial obligations without voter approval or without irrevocably pledging present cash reserves for all future payments.

On November 5, 2002, a majority of the District's voters approved that the District be authorized to retain all revenues it received from its rates, fees, tolls and other charges (both operating and capital in nature) for facilities and services and any and all other revenues it receives in 2002 and in all subsequent years; and the District be authorized to spend such revenues as voter-approved revenue change and an exception to any spending limitations which might otherwise apply, without limiting the collection and spending of other revenues of the District in any one year.

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.

SOLITUDE METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

**NOTE 11 – RECONCILIATION OF *GOVERNMENT-WIDE* AND FUND
FINANCIAL STATEMENTS**

Explanation of differences between the governmental fund Balance Sheet and the government-wide Statement of Net Position

The governmental fund Balance Sheet and the government-wide Statement of Net Position includes a reconciling column. Explanation of the adjustments included in the reconciling column is as follows:

Capital assets	\$ 2,490,166
Interest payable	\$ 17,938
Interest payable – subordinate bonds	\$ 800,000
Bonds payable	\$ 4,770,000
Unpaid interest on Limited Tax Bonds	\$ 359,891

Construction in progress is capitalized on the Statement of Net Position and all related debt items are also reflected on the Statement of Net Position.

Explanation of differences between the governmental fund Statement of Revenue, Expenditures and Changes in Fund Balance and the government-wide Statement of Activities

The governmental fund Statement of Revenue, Expenditures and Changes in Fund Balance and the government-wide Statement of Activities include a reconciling column. Explanation of the adjustments included in the reconciling column is as follows:

Interest on bonds	\$ 329,688
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Governmental funds report capital improvements as expenditures. However these costs are capitalized on the Statement of Net Position as well as any unpaid interest on the subordinate bonds. Interest is accrued from the last payment date December to the end of the year.

SUPPLEMENTAL INFORMATION

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

	Original Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Property taxes	\$ 145	\$ -	\$ (145)
Interest income	-	162	162
Total revenues	<u>145</u>	<u>162</u>	<u>17</u>
EXPENDITURES			
Paying agent fees	300	300	-
Treasurer's fees	2	-	2
Total expenditures	<u>302</u>	<u>300</u>	<u>2</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(157)</u>	<u>(138)</u>	<u>19</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	157	138	(19)
Total other financing sources (uses)	<u>157</u>	<u>138</u>	<u>(19)</u>
NET CHANGE IN FUND BALANCE	-	-	-
FUND BALANCE:			
BEGINNING OF YEAR	-	-	-
END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE: The accompanying notes are an integral part of the financial statements

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

	<u>Original Budget</u>	<u>Actual Amounts</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Interest income	\$ 118	\$ 6	\$ (112)
Total revenues	<u>118</u>	<u>6</u>	<u>(112)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	118	6	(112)
OTHER FINANCING SOURCES (USES)			
Transfers (out) in	<u>(118)</u>	<u>(6)</u>	<u>112</u>
Total other financing sources (uses)	<u>(118)</u>	<u>(6)</u>	<u>112</u>
NET CHANGE IN FUND BALANCE	-	-	-
FUND BALANCE:			
BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>
END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Note: See the accompanying independent auditors'

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

\$3,750,000
Senior General Obligation Limited Tax Bonds,
Series 2006
Interest Rate 7.00%
Payable June 1 and December 1
Principal Due December 1

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015*	\$ 220,000	\$ 128,891	\$ 348,891
2016*	225,000	231,000	456,000
2017	240,000	215,250	455,250
2018	260,000	198,450	458,450
2019	275,000	180,250	455,250
2020	295,000	161,000	456,000
2021	315,000	140,350	455,350
2022	340,000	118,300	458,300
2023	360,000	94,500	454,500
2024	390,000	69,300	459,300
2025	415,000	42,000	457,000
2026	185,000	12,950	197,950
	<u>\$ 3,520,000</u>	<u>\$ 1,709,750</u>	<u>\$ 5,229,750</u>

*unpaid principal and interest as of December 31, 2016

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

\$1,250,000
Subordinate General Obligation Limited Tax
Bonds, Series 2006
Interest Rate 8.00%
Payable June 1 and December 1
Principal Due December 1

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009*	\$ —	\$ 100,000	\$ 100,000
2010*	—	100,000	100,000
2011*	—	100,000	100,000
2012*	—	100,000	100,000
2013*	—	100,000	100,000
2014*	—	100,000	100,000
2015*	—	100,000	100,000
2016*	—	100,000	100,000
2017	—	100,000	100,000
2018	—	100,000	100,000
2019	—	100,000	100,000
2020	—	100,000	100,000
2021	—	100,000	100,000
2022	—	100,000	100,000
2023	—	100,000	100,000
2024	—	100,000	100,000
2025	—	100,000	100,000
2026	260,000	100,000	360,000
2027	475,000	79,200	554,200
2028	515,000	41,200	556,200
	<u>\$ 1,250,000</u>	<u>\$ 1,920,400</u>	<u>\$ 3,170,400</u>

*Unpaid interest as of December 31, 2016