

**SPRUCE MEADOWS METROPOLITAN DISTRICT**  
**City and County of Broomfield, Colorado**  
—  
**FINANCIAL STATEMENTS**  
**December 31, 2016**

**L. PAUL GOEDECKE P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS



**RECEIVED**

*By the Office of the State Auditor at 3:03 pm, Sep 21, 2017*

## TABLE OF CONTENTS

<b>INDEPENDENT AUDITOR’S REPORT .....</b>	<b>I-II</b>
---	-------------

### **BASIC FINANCIAL STATEMENTS**

#### Financial Statements

Balance Sheet/Statement of Net Position .....	1
---	---

Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities.....	2
---	---

Statement of Revenues, Expenditures, And Changes in Fund Balance – Budget and Actual General Fund .....	3
--	---

Notes to Financial Statements.....	4-13
------------------------------------	------

### **Supplemental Information**

Debt Service Fund - Schedule of Revenues, Expenditures, And Changes in Fund Balance – Budget and Actual .....	14
--	----

---

---

**Independent Auditor's Report**

Board of Directors  
**Spruce Meadows Metropolitan District**

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of Spruce Meadows 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 Spruce Meadows 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 18, 2017

**SPRUCE MEADOWS METROPOLITAN DISTRICT**

**BALANCE SHEET/STATEMENT OF NET POSITION**

**December 31, 2016**

	<b>General</b>	<b>Debt Service</b>	<b>Total</b>	<b>Adjustments</b>	<b>Statement of Net Position</b>
<b>ASSETS</b>					
Cash and investments	\$ 43,296	\$ -	\$ 43,296	\$ -	\$ 43,296
Cash and investments - restricted	3,750	547,226	550,976	-	550,976
Receivable - County Treasurer	-	-	-	-	-
Due from other funds	-	1,567	1,567	(1,567)	-
Property taxes receivable	99,998	214,068	314,066	-	314,066
Prepaid expenses	4,512	-	4,512	-	4,512
Capital assets not being depreciated	-	-	-	1,955,468	1,955,468
Capital assets, net of accumulated depreciation	-	-	-	305,520	305,520
<b>Total assets</b>	<b>151,556</b>	<b>762,861</b>	<b>914,417</b>	<b>2,259,421</b>	<b>3,173,838</b>
<b>LIABILITIES</b>					
Accrued interest on bonds	-	-	-	14,037	14,037
Due to other funds	1,567	-	1,567	(1,567)	-
Advances payable – operations	-	-	-	132,650	132,650
Interest payable - operations	-	-	-	17,053	17,053
Advances payable- capital	-	-	-	1,420,965	1,420,965
Interest payable - capital	-	-	-	610,876	610,876
Long-term liabilities:					
Due within one year	-	-	-	40,000	40,000
Due in more than one year	-	-	-	2,710,000	2,710,000
<b>Total liabilities</b>	<b>1,567</b>	<b>-</b>	<b>1,567</b>	<b>4,944,014</b>	<b>4,945,581</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred property taxes	99,998	214,068	314,066	-	314,066
<b>Total deferred inflows of resources</b>	<b>99,998</b>	<b>214,068</b>	<b>314,066</b>	<b>-</b>	<b>314,066</b>
<b>FUND BALANCES/NET POSITION</b>					
Fund Balances					
Nonspendable:					
Prepays	4,512	-	4,512	(4,512)	-
Restricted:					
Emergencies	3,750	-	3,750	(3,750)	-
Debt service	-	548,793	548,793	(548,793)	-
Unassigned	41,729	-	41,729	(41,729)	-
<b>Total fund balances</b>	<b>49,991</b>	<b>548,793</b>	<b>598,784</b>	<b>(598,784)</b>	<b>-</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 151,556</b>	<b>\$ 762,861</b>	<b>\$ 914,417</b>		
<b>Net Position:</b>					
Invested in capital assets, net of related debt				(2,670,556)	(2,670,556)
Restricted for:					
Emergencies				3,750	3,750
Debt service				548,793	548,793
Unrestricted				32,205	32,205
<b>Total net position</b>				<b>\$ (2,085,808)</b>	<b>\$ (2,085,808)</b>

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

**SPRUCE MEADOWS METROPOLITAN DISTRICT**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES/STATEMENT OF ACTIVITIES**

**For the Year Ended December 31, 2016**

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>EXPENDITURES</b>					
Accounting and audit	\$ 3,000	\$ -	\$ 3,000	\$ -	\$ 3,000
Repair and maintenance	97,559	-	97,559	-	97,559
Insurance	3,736	-	3,736	-	3,736
Legal	6,472	-	6,472	-	6,472
Management fees	9,600	-	9,600	-	9,600
Utilities	14,663	-	14,663	-	14,663
Treasurer's fees	1,502	3,187	4,689	-	4,689
Bond principal	-	40,000	40,000	(40,000)	-
Bond interest expense	-	170,888	170,888	(204)	170,684
Paying agent fees	-	1,000	1,000	-	1,000
Repayment of HOA Advance	4,000	-	4,000	-	4,000
Depreciation	-	-	-	16,080	16,080
Interest on developer advances	-	-	-	143,241	143,241
Repay developer advances	8,000	-	8,000	(8,000)	-
<b>Total expenditures/expenses</b>	<b>148,532</b>	<b>215,075</b>	<b>363,607</b>	<b>111,117</b>	<b>474,724</b>
<b>GENERAL REVENUES</b>					
Property taxes	99,492	211,267	310,759	-	310,759
Specific ownership taxes	5,626	11,792	17,418	-	17,418
Interest income	729	2,730	3,459	-	3,459
<b>Total General Revenues</b>	<b>105,847</b>	<b>225,789</b>	<b>331,636</b>	<b>-</b>	<b>331,636</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>(42,685)</b>	<b>10,714</b>	<b>(31,971)</b>	<b>31,971</b>	
<b>CHANGE IN NET POSITION</b>				<b>(143,088)</b>	<b>(143,088)</b>
<b>FUND BALANCES/NET POSITION:</b>					
<b>BEGINNING OF YEAR</b>	<b>92,676</b>	<b>538,079</b>	<b>630,755</b>	<b>(2,573,475)</b>	<b>(1,942,720)</b>
<b>END OF YEAR</b>	<b>\$ 49,991</b>	<b>\$ 548,793</b>	<b>\$ 598,784</b>	<b>\$ (2,684,592)</b>	<b>\$ (2,085,808)</b>

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

**SPRUCE MEADOWS METROPOLITAN DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES – BUDGET AND ACTUAL**  
**GENERAL FUND**

**Year Ended December 31, 2016**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>REVENUES</b>				
Property taxes	\$ 100,000	\$ 100,000	\$ 99,492	\$ (508)
Specific ownership taxes	4,500	4,500	5,626	1,126
Interest income	300	300	729	429
Transfer funds	-	8,000	-	(8,000)
Facility fees	5,000	-	-	-
<b>Total revenues</b>	<b>109,800</b>	<b>112,800</b>	<b>105,847</b>	<b>(6,953)</b>
<b>EXPENDITURES</b>				
Accounting and audit	5,200	3,000	3,000	-
Repair and maintenance	85,000	100,000	97,559	2,441
Insurance	2,600	2,600	3,736	(1,136)
Legal	6,000	8,000	6,472	1,528
Management fees	9,600	9,600	9,600	-
Election	1,500	-	-	-
Miscellaneous expenses	950	975	-	975
Utilities	20,000	16,000	14,663	1,337
Treasurer's fees	1,647	1,647	1,502	145
Repay HOA advances	4,000	4,000	4,000	-
Repay developer advances	4,000	4,000	8,000	(4,000)
Engineering	1,500	1,500	-	1,500
<b>Total expenditures</b>	<b>141,997</b>	<b>151,322</b>	<b>148,532</b>	<b>2,790</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(32,197)</b>	<b>(38,522)</b>	<b>(42,685)</b>	<b>(4,163)</b>
<b>FUND BALANCE:</b>				
<b>BEGINNING OF YEAR</b>	39,168	43,168	92,676	49,508
<b>END OF YEAR</b>	<b>\$ 6,971</b>	<b>\$ 4,646</b>	<b>\$ 49,991</b>	<b>\$ 45,345</b>

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

# SPRUCE MEADOWS METROPOLITAN DISTRICT

## NOTES TO FINANCIAL STATEMENTS

December 31, 2016

### NOTE 1 – DEFINITION OF REPORTING ENTITY

#### Definition of Reporting Entity

Spruce Meadows Metropolitan District (The District), a quasi-municipal corporation, was organized on May 26, 2004 and is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in the City and County of Broomfield, Colorado. The District was organized to finance, acquire and construct certain public improvements including streets and safety controls, water and storm sewer service, drainage improvements and park and recreation facilities. The District anticipates that all improvements will be dedicated to the City and County of Broomfield, Colorado, except for fence and entry monuments and landscape improvements including irrigation system.

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.

# SPRUCE MEADOWS 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.

#### **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.

**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.

# SPRUCE MEADOWS METROPOLITAN DISTRICT

## NOTES TO FINANCIAL STATEMENTS

December 31, 2016

### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. The District amended its General Fund budget.

#### **Capital Assets**

Capital Assets are stated at cost except for those assets contributed which are stated at estimated fair market value at the date of contribution or at the Developer’s cost. Depreciation on property that will remain assets of the District is reported on the Statement of Activities as a current charge.

#### **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.

**SPRUCE MEADOWS METROPOLITAN DISTRICT**

—  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred revenue 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. \$3,750 of the General Fund balance has been restricted in compliance with this requirement.

The restricted fund balance in the Debt Service Fund in the amount of \$538,079 is to be used exclusively for the future payment of bond principal, interest and related costs.

**NOTE 3 - CASH AND INVESTMENTS**

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

Cash and investments	\$ 43,296
Restricted investments	<u>550,976</u>
	<u>\$ 594,272</u>

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

Deposits with financial institutions	\$ 184,370
CSAFE	<u>409,902</u>
	<u>\$ 594,272</u>

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 equal to 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.

**SPRUCE MEADOWS METROPOLITAN DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2016**

**NOTE 3 - CASH AND INVESTMENTS (CONTINUED)**

**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), and 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:

- \* 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.

**Interest Rate Risk**

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 or sinking fund requirements.

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

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>
CSAFE	Less than 60 days	\$ 409,902

**SPRUCE MEADOWS METROPOLITAN DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2016**

**NOTE 3 - CASH AND INVESTMENTS (CONTINUED)**

**CSAFE**

As of December 31, 2016, the District had \$409,902 invested in the Colorado Surplus Asset Fund Trust (CSAFE), which is an investment vehicle established by state statute for local government entities to pool surplus funds. The State Securities Commission administers and enforces all State statutes governing CSAFE. The trust is similar to a money market fund, with each share valued at \$1.00. CSAFE may invest in U.S. government treasury securities, U.S. government agency securities, commercial paper and repurchase agreements collateralized with securities valued in excess of the repurchase agreement amount. The maximum maturity allowed for any investment is 365 days. A designated custodial bank provides safekeeping depository services, and substantially all securities owned by CSAFE are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments as owned by CSAFE. CSAFE is rated AAAM by Standard and Poor's.

**NOTE 4 – CAPITAL ASSETS**

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

<b>Governmental Type activities:</b>	<b>Balance 1/1/2016</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 12/31/2016</b>
Capital assets not being depreciated:				
Infrastructure	\$ 1,955,468	\$ -	\$ -	\$ 1,955,468
<b>Total capital asset not being depreciated</b>	<b>1,955,468</b>	<b>-</b>	<b>-</b>	<b>1,955,468</b>
Capital asset being depreciated:				
Fence and entryway monuments	402,000	-	-	402,000
<b>Total capital assets being depreciated</b>	<b>402,000</b>	<b>-</b>	<b>-</b>	<b>402,000</b>
Accumulated Depreciation:				
Fence and entryway monuments	(80,400)	(16,080)	-	(96,480)
<b>Total accumulated depreciation</b>	<b>(80,400)</b>	<b>(16,080)</b>	<b>-</b>	<b>(96,480)</b>
<b>Net capital assets being depreciated</b>	<b>321,600</b>	<b>(16,080)</b>	<b>-</b>	<b>305,520</b>
<b>GOVERNMENT TYPE ASSETS, NET</b>	<b>\$ 2,277,068</b>	<b>\$ (16,080)</b>	<b>\$ -</b>	<b>\$ 2,260,988</b>

**SPRUCE MEADOWS METROPOLITAN DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2016**

**NOTE 5 – LONG-TERM DEBT OBLIGATIONS**

The District anticipates transferring all improvements, exclusive of the fence, entryway monuments and landscape improvements including irrigation system, to the City and County of Broomfield. Depreciation expense for the year was \$16,080.

The following is a summary of long-term debt obligations as of December 31, 2016:

	<b>Balance 1/1/2016</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance 12/31/2016</b>	<b>Due Within One Year</b>
General Obligation Bonds	\$ 2,790,000	\$ -	\$ 40,000	\$ 2,750,000	\$ 40,000
Operations funding adv	132,650	-	-	132,650	-
Interest on operation advance	14,736	10,317	8,000	17,053	-
Capital projects advance	1,420,965	-	-	1,420,965	-
Interest on capital projects adv	477,952	132,924	-	610,876	-
<b>Total</b>	<b>\$ 4,836,303</b>	<b>\$ 143,241</b>	<b>\$ 48,000</b>	<b>\$ 4,931,544</b>	<b>\$ 40,000</b>

The District is authorized to issue general obligation bonds totaling \$3,500,000 for the purpose of financing the costs of acquiring, constructing, relocating and installing and completing public improvements within the District.

On March 4, 2008, the District issued \$3,500,000 of General Obligation (Limited Tax convertible to Unlimited Tax) Bonds, Series 2008 secured by and payable from pledged revenue, consisting of monies derived from property tax revenue, a portion of the specific ownership taxes and any other legally available monies as well as a reserve fund established with proceeds from the bond issue in the amount of \$311,756. The District has covenanted to levy an ad valorem mill levy in an amount sufficient to pay principal and interest on the Bonds, however until such time as the debt to assessed ratio is 50% or less, such mill levy cannot exceed 50 mills (subject to adjustment for changes in the method of calculating assessed valuation) and not less than 30 mills until such time that the surplus fund is fully funded.

Bonds of this issue are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$1,000 on December 1, 2018 at par plus accrued interest without a redemption premium.

The District has no remaining debt authorization.

**SPRUCE MEADOWS METROPOLITAN DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2016**

**NOTE 5 – LONG-TERM DEBT OBLIGATIONS (CONTINUED)**

The annual maturity schedule to amortize the General Obligation Bonds outstanding as of December 31, 2016 are as follows:

	<b>Principal</b>		<b>Interest</b>		<b>Total</b>
2017	\$ 40,000	\$	168,438	\$	208,438
2018	50,000		165,988		215,988
2019	55,000		162,925		217,925
2020	60,000		159,556		219,556
2021	65,000		155,881		220,881
2022-2026	430,000		711,419		1,141,419
2027-2031	635,000		555,844		1,190,844
2032-2036	930,000		327,994		1,257,994
2037	485,000		29,706		514,706
	<u>\$ 2,750,000</u>	\$	<u>2,437,751</u>	\$	<u>5,187,751</u>

**Advance and Reimbursement Agreement**

The District has entered into an Advance and Reimbursement Agreement with Spruce Meadows Development, Ltd. (the Developer) whereby the Developer agrees to advance funds to the District for construction, maintenance and operating costs. In addition to advancing monies, the Developer has agreed to fund construction costs and contribute those infrastructure assets to the District in exchange for the District's promise to reimburse the Developer for the costs plus interest at a rate of 7% beginning May 26, 2004. The obligation is not to be construed as multiple fiscal year debt and the repayment is and shall be subordinate to any bond indebtedness.

**NOTE 6 - 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.

## **SPRUCE MEADOWS METROPOLITAN DISTRICT**

### **NOTES TO FINANCIAL STATEMENTS**

**December 31, 2016**

#### **NOTE 6 - RISK MANAGEMENT (CONTINUED)**

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 7 – RELATED PARTIES**

Multiple members of the Board of Directors are officers or employees of owners (or affiliated entities) of property within the District. These members may have conflicts of interest with respect to certain transactions which come before the Board.

#### **NOTE 8 - TAX, SPENDING AND DEBT LIMITATIONS**

Article X, Section 20 of the Colorado Constitution, commonly known 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.

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

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits will require judicial interpretation.

#### **NOTE 9 – SUBSEQUENT EVENT**

Subsequent to the year end the District entered into a loan agreement with NBH Bank in the amount of \$2,775,000. The proceeds of the loan were utilized to refund the District's \$2,750,000 of General Obligation bonds and pay associated loan costs. The new loan matures December 1, 2036 and bears interest at a rate of 3.3%.

**SPRUCE MEADOWS METROPOLITAN DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2016**

**NOTE 10 – RECONCILIATION OF *GOVERNMENT-WIDE* AND FUND FINANCIAL STATEMENTS**

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

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

Capital assets, not depreciated	\$	1,955,468
Capital assets, net of depreciation	\$	305,520
Accrued Interest- Bonds	\$	14,037
Operating Advances Payable	\$	132,650
Interest Payable - Operations	\$	17,053
Capital Advances Payable	\$	1,420,965
Interest Payable – Capital	\$	610,876
Bonds Payable	\$	2,750,000

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

**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:

Bond principal	\$	(40,000)
Interest on developer advances	\$	143,241
Depreciation	\$	16,080
Bond interest	\$	(204)
Repay developer advances	\$	(8,000)

Governmental funds report capital outlay as expenditures and advances as revenue. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense and bond proceeds and advances are reflected as debt on the Statement of Net Assets.

**SUPPLEMENTAL INFORMATION**

**SPRUCE MEADOWS METROPOLITAN DISTRICT**

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

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>REVENUES</b>			
Property taxes	\$ 212,198	\$ 211,267	\$ (931)
Specific ownership taxes	7,500	11,792	4,292
Interest income	1,600	2,730	1,130
<b>Total revenues</b>	<u>221,298</u>	<u>225,789</u>	<u>4,491</u>
<b>EXPENDITURES</b>			
Bond principal	40,000	40,000	-
Bond interest expense	170,888	170,888	-
Miscellaneous	1,000	-	1,000
Paying agent fees	2,000	1,000	1,000
Treasurer's fees	3,319	3,187	132
<b>Total expenditures</b>	<u>217,207</u>	<u>215,075</u>	<u>2,132</u>
<b>NET CHANGE IN FUND BALANCE</b>	4,091	10,714	6,623
<b>FUND BALANCE:</b>			
<b>BEGINNING OF YEAR</b>	505,372	538,079	32,707
<b>END OF YEAR</b>	<u>\$ 509,463</u>	<u>\$ 548,793</u>	<u>\$ 39,330</u>

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