

**SORREL RANCH METROPOLITAN DISTRICT**  
**Arapahoe County, Colorado**

**FINANCIAL STATEMENTS**  
**December 31, 2016**



**RECEIVED**

*By the Office of the State Auditor at 10:22 am, Aug 15, 2017*

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Certified Public Accountants and Business Consultants

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Sorrel Ranch Metropolitan District  
Arapahoe County, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of Sorrel Ranch 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Sorrel Ranch Metropolitan District, as of December 31, 2016, and the respective changes in financial position thereof, and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

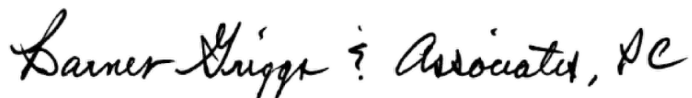
## **Other Matters**

### *Required Supplementary Information*

Management has omitted 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 statement in an appropriate operation, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. 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 basic 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 basic financial statements. The 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Lakewood, Colorado  
July 26, 2017

## **BASIC FINANCIAL STATEMENTS**

**SORREL RANCH METROPOLITAN DISTRICT**  
**STATEMENT OF NET POSITION**  
**December 31, 2016**

|                                      | <u><b>Governmental<br/>Activities</b></u> |
|--------------------------------------|---|
| <b>ASSETS</b>                        |   |
| Cash and investments                 | \$ 138,271                                |
| Cash and investments - Restricted    | 21,648                                    |
| Receivable - County Treasurer        | 4,500                                     |
| Property taxes receivable            | 803,460                                   |
| Prepaid expenses                     | 2,988                                     |
| Total assets                         | <u>970,867</u>                            |
| <b>LIABILITIES</b>                   |   |
| Accounts payable                     | 23,442                                    |
| Accrued interest payable             | 1,142,080                                 |
| Noncurrent liabilities               |   |
| Due within one year                  | 432,000                                   |
| Due in more than one year            | 15,301,722                                |
| Total liabilities                    | <u>16,899,244</u>                         |
| <b>DEFERRED INFLOWS OF RESOURCES</b> |   |
| Property tax revenues                | 803,460                                   |
| Total deferred inflows of resources  | <u>803,460</u>                            |
| <b>NET POSITION</b>                  |   |
| Restricted for:                      |   |
| Emergency reserves                   | 2,900                                     |
| Unrestricted                         | <u>(16,734,737)</u>                       |
| Total net position                   | <u><u>\$ (16,731,837)</u></u>             |

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

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

| <u>Functions/Programs</u>                    | <u>Expenses</u>   | <u>Program Revenues</u>             |   |   | <u>Net (Expenses)<br/>Revenues and<br/>Changes in<br/>Net Position</u> |
|--|-------------------|-------------------------------------|---|---|--|
|  |                   | <u>Charges<br/>for<br/>Services</u> | <u>Operating<br/>Grants and<br/>Contributions</u> | <u>Capital<br/>Grants and<br/>Contributions</u> | <u>Governmental<br/>Activities</u>                                     |
| Primary government:                          |                   |                                     |   |   |  |
| Government activities:                       |                   |                                     |   |   |  |
| General government                           | \$ 66,625         | \$ -                                | \$ -  | \$ -  | \$ (66,625)  |
| Interest and related costs on long-term debt | 915,606           | -                                   | -   | -   | (915,606)  |
|  | <u>\$ 982,231</u> | <u>\$ -</u>                         | <u>\$ -</u>                                       | <u>\$ -</u>                                     | <u>(982,231)</u>   |
| General revenues:                            |                   |                                     |   |   |  |
| Property taxes                               |                   |                                     |   |   | 789,900  |
| Specific ownership taxes                     |                   |                                     |   |   | 61,632   |
| Net investment income                        |                   |                                     |   |   | 2,366  |
| ARI revenue                                  |                   |                                     |   |   | 14,069   |
| Total general revenues                       |                   |                                     |   |   | <u>867,967</u>   |
| Change in net position                       |                   |                                     |   |   | (114,264)  |
| Net position - Beginning                     |                   |                                     |   |   | <u>(16,617,573)</u>  |
| Net position - Ending                        |                   |                                     |   |   | <u>\$ (16,731,837)</u>   |

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

**SORREL RANCH METROPOLITAN DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2016**

|   | <b>General</b>    | <b>Debt<br/>Service</b> | <b>Capital<br/>Projects</b> | <b>Total<br/>Governmental<br/>Fund</b> |
|---|-------------------|-------------------------|-----------------------------|--|
| <b>ASSETS</b>   |                   |                         |                             |  |
| Cash and investments  | \$ 138,271        | \$ -                    | \$ -                        | \$ 138,271                             |
| Cash and investments - Restricted   | 2,900             | 4,890                   | 13,858                      | 21,648                                 |
| Receivable - County Treasurer   | 493               | 4,007                   | -                           | 4,500                                  |
| Property taxes receivable   | 84,575            | 704,789                 | 14,096                      | 803,460                                |
| Prepaid expenses  | 2,988             | -                       | -                           | 2,988                                  |
| <b>TOTAL ASSETS</b>   | <b>\$ 229,227</b> | <b>\$ 713,686</b>       | <b>\$ 27,954</b>            | <b>\$ 970,867</b>                      |
| <b>LIABILITIES, DEFERRED INFLOWS OF<br/>RESOURCES AND FUND BALANCES</b>           |                   |                         |                             |  |
| <b>LIABILITIES</b>  |                   |                         |                             |  |
| Accounts payable  | \$ 8,334          | \$ 1,250                | \$ 13,858                   | \$ 23,442                              |
| Total liabilities   | 8,334             | 1,250                   | 13,858                      | 23,442                                 |
| <b>DEFERRED INFLOWS OF RESOURCES</b>  |                   |                         |                             |  |
| Property tax revenue  | 84,575            | 704,789                 | 14,096                      | 803,460                                |
| Total deferred inflows of resources   | 84,575            | 704,789                 | 14,096                      | 803,460                                |
| <b>FUND BALANCES</b>  |                   |                         |                             |  |
| Nonspendable:   |                   |                         |                             |  |
| Prepaid expense   | 2,988             | -                       | -                           | 2,988                                  |
| Restricted for:   |                   |                         |                             |  |
| Emergency reserves  | 2,900             | -                       | -                           | 2,900                                  |
| Debt service  | -                 | 7,647                   | -                           | 7,647                                  |
| Unassigned  | 130,430           | -                       | -                           | 130,430                                |
| Total fund balances   | 136,318           | 7,647                   | -                           | 143,965                                |
| <b>TOTAL LIABILITIES, DEFERRED<br/>INFLOWS OF RESOURCES AND<br/>FUND BALANCES</b> | <b>\$ 229,227</b> | <b>\$ 713,686</b>       | <b>\$ 27,954</b>            |  |

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

|  |  |                        |
|--|--|------------------------|
| Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. |  |                        |
| Bonds payable  |  | (13,632,000)           |
| Accrued bond interest  |  | (1,142,080)            |
| Developer advance payable  |  | (1,290,861)            |
| Accrued interest on Developer advance  |  | (810,861)              |
| Net position of governmental activities  |  | <b>\$ (16,731,837)</b> |

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

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

|  | <u>General</u>    | <u>Debt<br/>Service</u> | <u>Capital<br/>Projects</u> | <u>Total<br/>Governmental<br/>Fund</u> |
|--|-------------------|-------------------------|-----------------------------|--|
| <b>REVENUES</b>                              |                   |                         |                             |  |
| Property taxes                               | \$ 86,466         | \$ 703,434              | \$ -                        | \$ 789,900                             |
| Specific ownership taxes                     | 6,749             | 54,883                  | -                           | 61,632                                 |
| Net investment income                        | 837               | 1,529                   | -                           | 2,366                                  |
| ARI revenue from property taxes              | -                 | -                       | 14,069                      | 14,069                                 |
| Total revenues                               | <u>94,052</u>     | <u>759,846</u>          | <u>14,069</u>               | <u>867,967</u>                         |
| <b>EXPENDITURES</b>                          |                   |                         |                             |  |
| Accounting                                   | 17,928            | -                       | -                           | 17,928                                 |
| Audit fees                                   | 4,600             | -                       | -                           | 4,600                                  |
| County Treasurer's fees                      | 1,297             | 10,554                  | 211                         | 12,062                                 |
| Director fees                                | 400               | -                       | -                           | 400                                    |
| District management                          | 14,415            | -                       | -                           | 14,415                                 |
| Dues and subscriptions                       | 314               | -                       | -                           | 314                                    |
| Election                                     | 185               | -                       | -                           | 185                                    |
| Insurance and bonds                          | 2,488             | -                       | -                           | 2,488                                  |
| Legal services                               | 10,611            | -                       | -                           | 10,611                                 |
| Miscellaneous                                | 318               | -                       | -                           | 318                                    |
| Bond interest - Senior Bonds                 | -                 | 633,823                 | -                           | 633,823                                |
| Bond principal - Senior Bonds                | -                 | 111,000                 | -                           | 111,000                                |
| Paying agent/trustee fees                    | -                 | 2,500                   | -                           | 2,500                                  |
| ARTA payment                                 | -                 | -                       | 13,858                      | 13,858                                 |
| Total expenditures                           | <u>52,556</u>     | <u>757,877</u>          | <u>14,069</u>               | <u>824,502</u>                         |
| <b>NET CHANGE IN FUND BALANCES</b>           | 41,496            | 1,969                   | -                           | 43,465                                 |
| <b>FUND BALANCES -<br/>BEGINNING OF YEAR</b> | <u>94,822</u>     | <u>5,678</u>            | <u>-</u>                    | <u>100,500</u>                         |
| <b>FUND BALANCES -<br/>END OF YEAR</b>       | <u>\$ 136,318</u> | <u>\$ 7,647</u>         | <u>\$ -</u>                 | <u>\$ 143,965</u>                      |

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

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

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

|  |    |        |
|--|----|--------|
| Net change in fund balances - Total governmental funds | \$ | 43,465 |
|--|----|--------|

The issuance of long-term debt (e.g., bonds, Developer advances) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds record the effect of premiums, discounts, and similar items when debt is first issued as expenditures, whereas these amounts are deferred and amortized in the statement of activities.

|                        |  |         |
|------------------------|--|---------|
| Bond principal payment |  | 111,000 |
|------------------------|--|---------|

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

|   |           |  |           |
|---|-----------|--|-----------|
| Accrued interest on Developer advance - Change in liability | (73,268)  |  |           |
| Accrued interest on bonds - Change in liability             | (195,461) |  | (268,729) |

|  |  |              |
|--|--|--------------|
| Changes in net position of governmental activities |  | \$ (114,264) |
|--|--|--------------|

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

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

|  | <b>Original<br/>and Final<br/>Budget</b> | <b>Actual<br/>Amounts</b> | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|--|--|---------------------------|---|
| <b>REVENUES</b>                              |  |                           |   |
| Property taxes                               | \$ 86,466                                | \$ 86,466                 | \$ -  |
| Specific ownership taxes                     | 6,920                                    | 6,749                     | (171)   |
| Net investment income                        | 182                                      | 837                       | 655   |
| Total revenues                               | <u>93,568</u>                            | <u>94,052</u>             | <u>484</u>  |
| <b>EXPENDITURES</b>                          |  |                           |   |
| Accounting                                   | 17,000                                   | 17,928                    | (928)   |
| Audit fees                                   | 4,600                                    | 4,600                     | -   |
| County Treasurer's fees                      | 1,297                                    | 1,297                     | -   |
| Director fees                                | 1,500                                    | 400                       | 1,100   |
| District management                          | 17,000                                   | 14,415                    | 2,585   |
| Dues and subscriptions                       | 400                                      | 314                       | 86  |
| Election                                     | 1,000                                    | 185                       | 815   |
| Insurance and bonds                          | 2,200                                    | 2,488                     | (288)   |
| Legal services                               | 17,000                                   | 10,611                    | 6,389   |
| Miscellaneous                                | 1,000                                    | 318                       | 682   |
| Contingency                                  | 2,003                                    | -                         | 2,003   |
| Total expenditures                           | <u>65,000</u>                            | <u>52,556</u>             | <u>12,444</u>   |
| <b>NET CHANGE IN FUND BALANCES</b>           | 28,568                                   | 41,496                    | 12,928  |
| <b>FUND BALANCES -<br/>BEGINNING OF YEAR</b> | 89,206                                   | 94,822                    | 5,616   |
| <b>FUND BALANCES - END OF YEAR</b>           | <u>\$ 117,774</u>                        | <u>\$ 136,318</u>         | <u>\$ 18,544</u>  |

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

**SORREL RANCH METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 1 - DEFINITION OF REPORTING ENTITY**

Sorrel Ranch Metropolitan District (District), a quasi-municipal corporation located entirely in the City of Aurora, Arapahoe County, Colorado, was organized on December 31, 2002, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District was established to provide for construction and financing for street, safety protection, water, sanitation, storm drainage, mosquito control and park and recreation facilities and improvements.

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

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

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Government-wide and Fund Financial Statements**

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District. The effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

The statement of net position reports all financial and capital resources of the District. The difference between the sum of assets and deferred outflows and the sum of liabilities and deferred inflows is reported as net position.

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**SORREL RANCH METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2016**

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

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

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes and specific ownership taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. The District determined that Developer advances are not considered as revenue susceptible to accrual. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is due.

The District reports the following major governmental funds:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

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

**Budgets**

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall 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.

**SORREL RANCH METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2016**

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

**Pooled Cash and Investments**

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

Investments are carried at fair value.

**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 put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflow of resources in the year they are levied and measurable. The unearned property tax revenues are recorded as revenue in the year they are available or collected.

**Deferred Inflows of Resources**

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

**Equity**

***Net Position***

For government-wide presentation purposes when both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

**SORREL RANCH METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

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

***Fund Balance***

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

- *Nonspendable fund balance* – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.
- *Restricted fund balance* – The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.
- *Committed fund balance* – The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.
- *Assigned fund balance* – The portion of fund balance that is constrained by the government’s intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.
- *Unassigned fund balance* – The residual portion of fund balance that does not meet any of the criteria described above.

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

**NOTE 3 - CASH AND INVESTMENTS**

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

Statement of net position:

|                                   |                   |
|-----------------------------------|-------------------|
| Cash and investments              | \$ 138,271        |
| Cash and investments - Restricted | <u>21,648</u>     |
| Total cash and investments        | <u>\$ 159,919</u> |

**SORREL RANCH METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

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

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

|                                      |                          |
|--------------------------------------|--------------------------|
| Deposits with financial institutions | \$ 3,599                 |
| Investments                          | <u>156,320</u>           |
| Total cash and investments           | <u><u>\$ 159,919</u></u> |

**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 \$4,074 and a carrying balance of \$3,599.

**Investments**

The District's formal investment policy is to follow state statutes regarding investments.

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

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

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

- . Obligations of the United States, certain U.S. government agency securities of the World Bank
- . Certain international agency securities
- . General obligation and revenue bonds of U.S. local government entities
- . Certain certificates of participation
- . Certain securities lending agreements
- . Bankers' acceptances of certain banks
- . Commercial paper

**SORREL RANCH METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2016**

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

- . Written repurchase agreements collateralized by certain authorized securities
- . Certain money market funds
- . Guaranteed investment contracts
- \* Local government investment pools

**Fair Value Measurement and Application**

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

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

| <b>Investment</b>                         | <b>Maturity</b>                   | <b>Fair Value</b> |
|---|-----------------------------------|-------------------|
| Colorado Surplus Asset Fund Trust (CSAFE) | Weighted average<br>under 60 days | <u>\$ 156,320</u> |

**CSAFE**

Certain of the District's funds, including the debt service money, related to the Series 2006 bonds, that was included in the trust accounts at United Missouri Bank (UMB) was invested in the Colorado Surplus Asset Fund Trust (the Trust), which is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust is similar to a money market fund, with each share valued at \$1.00. CSAFE may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain money market funds and highest rated commercial paper. A designated custodial bank serves as custodian for CSAFE's portfolio pursuant to a custodian agreement. The custodian acts as safekeeping agent for CSAFE's investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by CSAFE. CSAFE is rated AAAM by Standard & Poor's.

**SORREL RANCH METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2016**

**NOTE 4 - LONG-TERM OBLIGATIONS**

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

|  | <u>Balance at<br/>December 31,<br/>2015</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance at<br/>December 31,<br/>2016</u> | <u>Due<br/>Within<br/>One Year</u> |
|--|---|------------------|-------------------|---|------------------------------------|
| <b>Governmental Activities:</b>              |   |                  |                   |   |                                    |
| G.O. limited tax bonds                       |   |                  |                   |   |                                    |
| Series 2006 - Senior                         | \$ 11,023,000                               | \$ -             | \$ 111,000        | \$ 10,912,000                               | \$432,000                          |
| Series 2006 - Subordinate                    | 2,720,000                                   | -                | -                 | 2,720,000                                   | -                                  |
| Developer advance - Operating                | 289,574                                     | -                | -                 | 289,574                                     | -                                  |
| Interest on Developer advance -<br>Operating | 166,480                                     | 16,436           | -                 | 182,916                                     | -                                  |
| Developer advance - Capital                  | 1,001,287                                   | -                | -                 | 1,001,287                                   | -                                  |
| Interest on Developer advance -<br>Capital   | 571,113                                     | 56,832           | -                 | 627,945                                     | -                                  |
|  | <u>\$ 15,771,454</u>                        | <u>\$ 73,268</u> | <u>\$ 111,000</u> | <u>\$ 15,733,722</u>                        | <u>\$432,000</u>                   |

**\$11,675,000 Senior General Obligation Limited Tax Bonds, Series 2006, dated September 22, 2006**, with interest of 5.75%. Interest is payable semiannually on June 1 and December 1. The bonds are term bonds due December 1, 2036, with mandatory sinking fund redemptions beginning December 1, 2010, and on every December 1 thereafter. All of the bonds are subject to redemption prior to maturity at the option of the District on December 1, 2016, and on any date thereafter without call premium.

**\$2,735,000 Subordinate General Obligation Limited Tax Bonds, Series 2006, dated September 22, 2006**, with interest of 6.75%. Interest is payable annually on December 15. The bonds are term bonds due December 15, 2036, with mandatory sinking fund redemptions beginning December 15, 2010, and on every December 15 thereafter. All of the bonds are subject to redemption prior to maturity at the option of the District on December 15, 2016, and on any date thereafter without call premium.

The bonds are secured by the Pledged Revenues and all monies and earnings thereon held in the Funds or accounts created under the terms of the Indenture of Trust dated September 1, 2006, between the District and United Missouri Bank (UMB), as trustee. Pledged Revenues consist of revenues derived from the imposition of the Required Mill Levy remitted to the District, Facility Fees, Specific Ownership Taxes attributable to the Required Mill Levy, and any other legally available monies of the District credited to the Bond Fund.

**SORREL RANCH METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2016**

**NOTE 4 - LONG-TERM OBLIGATIONS (CONTINUED)**

The District is required to impose a mill levy without limitation, up to a limit of 50.000 mills (as adjusted, based upon any changes to the method of calculating assessed valuation), on the assessed valuation of the District, in an amount sufficient to pay when due the principal and interest and to build up the Surplus Fund of each of the 2006A and 2006B bonds to their Maximum Surplus Amount, which must be maintained once reached until the Debt to Assessed Ratio is 50% or less. The Maximum Surplus amount is \$1,167,500 for the 2006A Series Bonds and \$273,500 for the 2006B Bonds. As of December 31, 2016, the Surplus Fund related to the 2006A Bonds and 2006B Bonds totaled \$-0-. During 2016, the District paid \$111,000 of the \$215,000 principal due on the 2006A Bonds. Additionally, the District did not have sufficient funds to pay the principal or compounded interest due on the 2006B Bonds. The District does not anticipate making its principal and interest payments on its Series 2006B Bonds in 2017. The balance of compounded and accrued interest on the 2006B Bonds at December 31, 2016, is \$1,089,793. At this time, the schedule of repayments on the 2006B Bonds is unknown and will be made when cash flow is available.

The District's long-term obligations relating to the 2006A Senior General Obligation Bonds will mature as follows:

|           | <u>Principal</u>     | <u>Interest</u>     | <u>Total</u>         |
|-----------|----------------------|---------------------|----------------------|
| 2017      | \$ 432,000           | \$ 627,440          | \$ 1,059,440         |
| 2018      | 255,000              | 602,600             | 857,600              |
| 2019      | 270,000              | 587,938             | 857,938              |
| 2020      | 305,000              | 572,412             | 877,412              |
| 2021      | 320,000              | 554,875             | 874,875              |
| 2022-2026 | 2,080,000            | 2,461,575           | 4,541,575            |
| 2027-2031 | 3,000,000            | 1,763,813           | 4,763,813            |
| 2032-2036 | 4,250,000            | 765,612             | 5,015,612            |
|           | <u>\$ 10,912,000</u> | <u>\$ 7,936,265</u> | <u>\$ 18,848,265</u> |

**SORREL RANCH METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2016**

**NOTE 4 - LONG-TERM OBLIGATIONS (CONTINUED)**

**Authorized Debt**

On November 5, 2002, a majority of the qualified electors of the District who voted in the election authorized the issuance of indebtedness in an amount not to exceed \$34,644,000 at an interest rate not to exceed 18% per annum. Remaining authorized but unissued debt at December 31, 2016, is as follows:

|                     | <b>Authorized<br/>November 5, 2002<br/>Election</b> | <b>Authorization<br/>Used</b> | <b>Remaining at<br/>December 31,<br/>2016</b> |
|---------------------|---|-------------------------------|---|
| Streets             | \$ 5,161,000  | \$ 4,655,870                  | \$ 505,130                                    |
| Safety protection   | 711,000   | 708,972                       | 2,028   |
| Park and recreation | 6,278,000   | 4,413,783                     | 1,864,217                                     |
| Water               | 619,000   | 534,611                       | 84,389  |
| Sanitation          | 4,453,000   | 4,096,764                     | 356,236                                       |
| Operations          | 200,000   | -                             | 200,000                                       |
| Refunding           | 17,222,000  | -                             | 17,222,000                                    |
|                     | <u>\$ 34,644,000</u>                                | <u>\$ 14,410,000</u>          | <u>\$ 20,234,000</u>                          |

Pursuant to the Service Plan, the District is permitted to issue bond indebtedness of up to \$34,644,000.

In the future, the District may issue a portion or all of the remaining authorized but unissued general obligation debt for purposes of providing public improvements to support development as it occurs within the District's service area; however, as of the date of this audit, the amount and timing of any debt issuances is not determinable.

**Operation Funding Agreements**

The District entered into various Operation Funding Agreements with Engle Homes Colorado, a division of TOUSA Homes, Inc. (Developer), whereby the Developer agreed to fund any shortfall in operating costs from 2003 to 2007. In accordance with the Operation Funding Agreements, the District is obligated to repay these advances along with interest at 3% above the 20-year AAA Municipal Market Data rate, when and if funds are available to do so. The interest rate is set each January 1 for the upcoming year. The interest rate for 2016 was 5.66%. The balance owed to the Developer pursuant to the Operation Funding Agreements was \$289,574 for principal and \$182,916 for accrued interest as of December 31, 2016.

**SORREL RANCH METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2016**

**NOTE 4 - LONG-TERM OBLIGATIONS (CONTINUED)**

**Facilities Funding and Acquisition Agreement**

Effective January 1, 2007, the District entered into the Facilities Funding and Acquisition Agreement - 2007 (2007 FFA) with the Developer, whereby the Developer agreed to design and construct public improvements within the District. The District agreed to purchase these improvements from the Developer for the costs incurred to construct them. The 2007 FFA includes interest of 3% above the 20-year AAA Municipal Market Data rate to be paid to the Developer for the acquisition of these improvements. The balance owed to the Developer for advances and/or acquisition as of December 31, 2016, was \$1,001,287 for principal and \$627,945 for accrued interest. No payment is required under the 2007 FFA unless and until such time the District issues bonds for this purpose and in an amount sufficient to pay for such improvements.

**NOTE 5 - NET POSITION**

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

The restricted net position includes assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had a restricted net position as of December 31, 2016, as follows:

|                               | <b>Governmental<br/>Activities</b> |
|-------------------------------|------------------------------------|
| Restricted net position:      |                                    |
| Emergency reserves            | \$ 2,900                           |
| Total restricted net position | \$ 2,900                           |

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

**SORREL RANCH METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2016**

**NOTE 6 - AGREEMENTS**

**Intergovernmental Agreement with the City of Aurora**

In November 2004, the District entered into the Amended and Restated Intergovernmental Agreement (IGA) between the City of Aurora (the City) and the District. The IGA defines and clarifies the services which the District may provide, as well as those services which the District is prohibited from providing. Pursuant to the Service Plan, the District is required to impose the Aurora Regional Improvement (ARI) Mill Levy upon the District's residents. This mill levy is 1.000 mill for the first twenty years of the District, which for this purpose begins the first year that the District certifies a debt service mill levy. The levy increases to 5.000 mills for years twenty-one through forty or the date of repayment of the debt incurred for public improvements, other than regional improvements, whichever occurs first. For the ten years subsequent to the period where the 5.000 mills is imposed, the ARI mill levy is the average of the debt service mill levy for the previous ten years.

**Aurora Regional Transportation Authority**

In 2006, the District, along with other metropolitan districts within Aurora, entered into the Aurora Regional Transportation Authority (ARTA) Establishment Agreement. This Agreement was amended on August 14, 2007, February 20, 2008, July 21, 2008, and June 11, 2009, to add additional metropolitan district members. ARTA will plan, design, acquire, construct, relocate, redevelop and finance regional improvements within the boundaries of the metropolitan districts which are a party to the Agreement using the ARI revenue from each of the districts. In accordance with the IGA, the City has the right to appoint no less than 30% and no more than 49% of the ARTA Board.

**Facilities Fees Agreement**

The District imposes a Facilities Fee of \$2,000 on each single-family and a Facilities Fee of \$500 on each multi-family residential unit. The fees are payable by homebuilders at the time of issuance of building permits. The revenue from the fees is pledged for payment of bonds or any other indebtedness of the District. TOUSA Homes, Inc. (TOUSA) has guaranteed the payment of facility fees on a semi-annual schedule through May 15, 2011, by entering into the Facilities Fee Agreement dated September 20, 2006, with the District (Facilities Fee Agreement). Pursuant to this Facilities Fee Agreement, TOUSA has guaranteed the payment of a total \$897,000 in facilities fees. The guaranty requires payment each May 15 and November 15 for any shortfall of the scheduled facilities fees for that period. As of December 31, 2016, the obligation was fulfilled and no outstanding amount remained.

Facilities Fees will be collected by the District for each residential unit that was not platted at the time TOUSA guaranteed the payment of fees. In 2016, the District did not collect any fees outside the Agreement.

**SORREL RANCH METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2016**

**NOTE 6 - AGREEMENTS (CONTINUED)**

**Reimbursement Agreement (Facilities Fees)**

On November 15, 2010, the District entered into the Reimbursement Agreement (Facilities Fees) with TOUSA Recovery Acquisition, LLC (TRA). The Agreement acknowledges that all prepayments under the Facilities Fee Agreement have been made and that in conjunction with TRA's purchase of property within the District, TRA is entitled to reimbursement as a result of such prepayments. The Agreement provides that, as additional facilities fees are collected, the District will reimburse TRA quarterly for the prepaid fees, less a \$100 administration fee and any escrow expenses, to cover the District's costs.

**NOTE 7 - RISK MANAGEMENT**

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

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool). The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for liability, property, public officials' liability and workers compensation coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

**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.

**SORREL RANCH METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2016**

**NOTE 8 - TAX, SPENDING AND DEBT LIMITATIONS (CONTINUED)**

On November 5, 2002, the District's voters passed an election question to increase property taxes \$200,000, annually, without limitation of rate, to pay the District's operational and maintenance costs.

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

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

**SUPPLEMENTARY INFORMATION**

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

|  | <u>Original<br/>and Final<br/>Budget</u> | <u>Actual<br/>Amounts</u> | <u>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</u> |
|--|--|---------------------------|---|
| <b>REVENUES</b>                              |  |                           |   |
| Property taxes                               | \$ 703,433                               | \$ 703,434                | \$ 1  |
| Specific ownership taxes                     | 56,270                                   | 54,883                    | (1,387)   |
| Net investment income                        | 22                                       | 1,529                     | 1,507   |
| Total revenues                               | <u>759,725</u>                           | <u>759,846</u>            | <u>121</u>  |
| <b>EXPENDITURES</b>                          |  |                           |   |
| Contingency                                  | 2,049                                    | -                         | 2,049   |
| County Treasurer's fees                      | 10,551                                   | 10,554                    | (3)   |
| Bond interest - Senior Bonds                 | 627,900                                  | 633,823                   | (5,923)   |
| Bond principal - Senior Bonds                | 117,000                                  | 111,000                   | 6,000   |
| Paying agent/trustee fees                    | 2,500                                    | 2,500                     | -   |
| Total expenditures                           | <u>760,000</u>                           | <u>757,877</u>            | <u>2,123</u>  |
| <b>NET CHANGE IN FUND BALANCES</b>           | (275)                                    | 1,969                     | 2,244   |
| <b>FUND BALANCES - BEGINNING<br/>OF YEAR</b> | <u>997</u>                               | <u>5,678</u>              | <u>4,681</u>  |
| <b>FUND BALANCES - END OF YEAR</b>           | <u>\$ 722</u>                            | <u>\$ 7,647</u>           | <u>\$ 6,925</u>   |

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

|  | <u>Original<br/>and Final<br/>Budget</u> | <u>Actual<br/>Amounts</u> | <u>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</u> |
|--|--|---------------------------|---|
| <b>REVENUES</b>                              |  |                           |   |
| ARI revenue                                  | \$ 14,069                                | \$ 14,069                 | \$ -  |
| Total revenues                               | <u>14,069</u>                            | <u>14,069</u>             | <u>-</u>  |
| <b>EXPENDITURES</b>                          |  |                           |   |
| ARTA payment                                 | 13,858                                   | 13,858                    | -   |
| County Treasurer's fees                      | <u>211</u>                               | <u>211</u>                | <u>-</u>  |
| Total expenditures                           | <u>14,069</u>                            | <u>14,069</u>             | <u>-</u>  |
| <b>NET CHANGE IN FUND BALANCES</b>           | -  | -                         | -   |
| <b>FUND BALANCES -<br/>BEGINNING OF YEAR</b> | <u>-</u>                                 | <u>-</u>                  | <u>-</u>  |
| <b>FUND BALANCES - END OF YEAR</b>           | <u><u>\$ -</u></u>                       | <u><u>\$ -</u></u>        | <u><u>\$ -</u></u>  |

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

| <b>Bonds<br/>and Interest<br/>Maturing<br/>in the Year<br/>Ending<br/>December 31,</b> | <b>\$ 11,675,000<br/>General Obligation Limited Tax Bonds<br/>Dated September 22, 2006<br/>Principal Payable December 1<br/>5.75% Interest Payable<br/>June 1 and December 1</b> |                     |                      |
|--|--|---------------------|----------------------|
|  | <b>Principal</b>   | <b>Interest</b>     | <b>Total</b>         |
| 2017   | \$ 432,000   | \$ 627,440          | \$ 1,059,440         |
| 2018   | 255,000  | 602,600             | 857,600              |
| 2019   | 270,000  | 587,938             | 857,938              |
| 2020   | 305,000  | 572,412             | 877,412              |
| 2021   | 320,000  | 554,875             | 874,875              |
| 2022   | 355,000  | 536,475             | 891,475              |
| 2023   | 380,000  | 516,063             | 896,063              |
| 2024   | 420,000  | 494,212             | 914,212              |
| 2025   | 440,000  | 470,063             | 910,063              |
| 2026   | 485,000  | 444,762             | 929,762              |
| 2027   | 515,000  | 416,875             | 931,875              |
| 2028   | 560,000  | 387,263             | 947,263              |
| 2029   | 595,000  | 355,062             | 950,062              |
| 2030   | 645,000  | 320,850             | 965,850              |
| 2031   | 685,000  | 283,763             | 968,763              |
| 2032   | 745,000  | 244,375             | 989,375              |
| 2033   | 785,000  | 201,537             | 986,537              |
| 2034   | 850,000  | 156,400             | 1,006,400            |
| 2035   | 900,000  | 107,525             | 1,007,525            |
| 2036   | 970,000  | 55,775              | 1,025,775            |
|  | <b>\$ 10,912,000</b>   | <b>\$ 7,936,265</b> | <b>\$ 18,848,265</b> |

**SORREL RANCH METROPOLITAN DISTRICT  
SUMMARY OF ASSESSED VALUATION,  
MILL LEVY AND PROPERTY TAXES COLLECTED  
December 31, 2016**

| <u>Year Ended<br/>December 31,</u>                            | <u>Prior Year<br/>Assessed Valuation<br/>for Current Year<br/>Property Tax Levy</u> | <u>Mills Levied for</u> |                     |            | <u>Total<br/>Property Taxes</u> |                  | <u>Percent<br/>Collected<br/>to Levied</u> |
|---|---|-------------------------|---------------------|------------|---------------------------------|------------------|--|
|   |   | <u>General (1)</u>      | <u>Debt Service</u> | <u>ARI</u> | <u>Levied</u>                   | <u>Collected</u> |  |
| 2012  | \$ 8,585,710  | 6.000                   | 50.000              | 1.000      | \$ 489,385                      | \$ 488,797       | 99.9%                                      |
| 2013  | \$ 9,204,770  | 6.000                   | 50.000              | 1.000      | \$ 524,672                      | \$ 524,879       | 100.1%                                     |
| 2014  | \$ 10,175,950   | 6.000                   | 50.000              | 1.000      | \$ 580,029                      | \$ 579,997       | 99.9%                                      |
| 2015  | \$ 11,542,823   | 6.000                   | 50.000              | 1.000      | \$ 657,941                      | \$ 644,477       | 97.9%                                      |
| 2016  | \$ 14,068,670   | 6.146                   | 50.000              | 1.000      | \$ 803,968                      | \$ 789,900       | 98.2%                                      |
| Estimated for<br>calendar year ending<br>December 31,<br>2017 | \$ 14,095,777   | 6.000                   | 50.000              | 1.000      | \$ 803,460                      |                  |  |

(1) 2016 General Fund mill levy includes .146 mills related to refunds and abatements.