

Tamarron Metropolitan District

Annual Financial Report

December 31, 2016



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Report of Independent Certified Public Accountants

Members of the Board of Directors
Tamarron Metropolitan District

We have audited the accompanying financial statements of the governmental activities and the major funds of Tamarron 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 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 of 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 the major funds of Tamarron Metropolitan District, as of December 31, 2016 and the respective changes in financial position 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

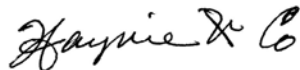
Required Supplementary Information

Management has omitted 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 opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Tamarron Metropolitan District's financial statements as a whole. The supplementary information section is presented for purposes of additional analysis and is not a required part of the financial statements.

The supplementary information as listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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.



Littleton, Colorado
June 10, 2017

Tamarron Metropolitan District
Statement of Net Position
December 31, 2016

| Assets | Governmental Activities |
|---|------------------------------------|
| Cash | \$ 264,108 |
| Property taxes receivable | 583,372 |
| Accounts receivable | 3,858 |
| Prepaid insurance | 4,974 |
| Capital assets, net of accumulated depreciation | <u>6,051,792</u> |
| Total assets | <u><u>\$ 6,908,104</u></u> |
| | |
| Liabilities | |
| Accounts payable | \$ 16,397 |
| Accrued interest payable | 5,960,488 |
| Bonds payable, due within one year | 1,000,000 |
| Bonds payable, due in more than one year | <u>22,127,000</u> |
| Total liabilities | <u>29,103,885</u> |
| | |
| Deferred Inflows of Resources | |
| Property tax revenue | <u>583,372</u> |
| Total deferred inflows of resources | <u>583,372</u> |
| | |
| Net Position | |
| Net investment in capital assets | (17,075,208) |
| Restricted - emergency reserves | 8,934 |
| Unrestricted | <u>(5,712,879)</u> |
| Total Net Position | <u>(22,779,153)</u> |
| Total Liabilities and Net Position | <u><u>\$ 6,908,104</u></u> |

The accompanying notes are an integral part of these financial statements.

Tamarron Metropolitan District
Statement of Activities
For the Year Ended December 31, 2016

| Functions/Program Activities | Expenses | Net (Expense) Revenue and Changes in Net Assets |
|---|-----------------|--|
| | | Governmental Activities |
| Governmental activities: | | |
| Administrative services | \$ 92,202 | \$ (92,202) |
| Operations | 1,352,698 | (1,352,698) |
| Interest on long-term debt | 1,591,240 | (1,591,240) |
| Total governmental activities | 3,036,140 | (3,036,140) |
| General revenues: | | |
| Taxes | | |
| Property taxes | | 570,462 |
| Specific ownership taxes | | 49,366 |
| Interest and penalties on taxes | | 1,107 |
| Facility Fees | | 5,000 |
| Interest income | | 383 |
| Change in net position | | (2,409,822) |
| Net position - beginning of year | | (20,369,331) |
| Net position - end of year | | \$ (22,779,153) |

The accompanying notes are an integral part of these financial statements.

Tamarron Metropolitan District
Governmental Funds Balance Sheet
December 31, 2016

| | <u>General Fund</u> | <u>Debt Service Fund</u> | <u>Total Governmental Funds</u> |
|---|-------------------------|----------------------------------|---|
| Assets | | | |
| Cash and cash equivalents | \$ 258,962 | \$ 5,146 | \$ 264,108 |
| Property taxes receivable | 151,677 | 431,695 | 583,372 |
| Accounts receivable | 1,003 | 2,855 | 3,858 |
| Due from general fund | - | 2,736 | 2,736 |
| Prepaid insurance | 4,974 | - | 4,974 |
| Total assets | <u>\$ 416,616</u> | <u>\$ 442,432</u> | <u>\$ 859,048</u> |
| Liabilities | | | |
| Accounts payable | \$ 16,397 | \$ - | \$ 16,397 |
| Due to debt fund | 2,736 | - | 2,736 |
| Total liabilities | <u>19,133</u> | <u>-</u> | <u>19,133</u> |
| Deferred Inflows of Resources | | | |
| Property tax revenue | 151,677 | 431,695 | 583,372 |
| Total deferred inflows of resources | <u>151,677</u> | <u>431,695</u> | <u>583,372</u> |
| Fund Equity | | | |
| Nonspendable - prepaid expenses | 4,974 | - | 4,974 |
| Restricted - emergency reserves | 8,934 | - | 8,934 |
| Restricted - debt service | - | 10,737 | 10,737 |
| Assigned - subsequent year's expenditures | 231,898 | - | 231,898 |
| Total Fund Equity | <u>245,806</u> | <u>10,737</u> | <u>256,543</u> |
| Total Liabilities and Fund Equity | <u>\$ 416,616</u> | <u>\$ 442,432</u> | <u>\$ 859,048</u> |

The accompanying notes are an integral part of these financial statements.

**Tamarron Metropolitan District
Governmental Funds Balance Sheet
and Reconciliation of Fund Balances to Net Assets
December 31, 2016**

| | | |
|---|---------------------|------------------------------|
| Fund Balances - Total Governmental Funds | | \$ 256,543 |
| Amounts reported for governmental activities in the statement of net assets excluded from the governmental fund balance because: | | |
| Capital assets used in governmental activities are not financial resources and are excluded from the funds. | | |
| Governmental capital assets | 18,057,464 | |
| Less accumulated depreciation | <u>(12,005,672)</u> | 6,051,792 |
| Long term liabilities not payable in the current year are excluded as liabilities in the governmental funds. Interest on long-term debt is recognized as an expenditure in governmental funds when due. These liabilities consist of: | | |
| Accrued interest payable | (5,960,488) | |
| Bonds payable | <u>(23,127,000)</u> | <u>(29,087,488)</u> |
| Net position of governmental activities | | <u><u>\$(22,779,153)</u></u> |

The accompanying notes are an integral part of these financial statements.

Tamarron Metropolitan District
Governmental Fund Revenues, Expenditures,
and Changes in Fund Balances
For the Year Ended December 31, 2016

| | <u>General Fund</u> | <u>Debt Service Fund</u> | <u>Total</u> |
|---|-------------------------|------------------------------|-------------------|
| Revenues | | | |
| Taxes | | | |
| Property taxes | \$ 148,320 | \$ 422,142 | \$ 570,462 |
| Specific Ownership Tax | 12,835 | 36,531 | 49,366 |
| Interest and penalties | 250 | 857 | 1,107 |
| Facility fees | - | 5,000 | 5,000 |
| Interest income | <u>372</u> | <u>11</u> | <u>383</u> |
| Total Revenues | <u>161,777</u> | <u>464,541</u> | <u>626,318</u> |
| Expenses | | | |
| General government | | | |
| Operations | 220,795 | - | 220,795 |
| Administration | 77,017 | 15,185 | 92,202 |
| Debt service | | | |
| Principal | - | - | - |
| Interest and fiscal charges | <u>-</u> | <u>447,829</u> | <u>447,829</u> |
| Total Expenditures | <u>297,812</u> | <u>463,014</u> | <u>760,826</u> |
| Excess of Revenues over Expenditures | (136,035) | 1,527 | (134,508) |
| Fund balances: | | | |
| Beginning of the year | <u>381,841</u> | <u>9,210</u> | <u>391,051</u> |
| End of the year | <u>\$ 245,806</u> | <u>\$ 10,737</u> | <u>\$ 256,543</u> |

The accompanying notes are an integral part of these financial statements.

Tamarron Metropolitan District
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended December 31, 2016

Net change in fund balance—total governmental funds \$ (134,508)

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives.

Current year depreciation (1,131,903)

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.

Unpaid interest expense (1,143,411)

Change in net position of governmental activities \$ (2,409,822)

The accompanying notes are an integral part of these financial statements.

Tamarron Metropolitan District
Statement of Revenues, Expenditures
and Changes in Fund Balance—Actual and Budget
Governmental Fund Type—General Fund
For the Year Ended December 31, 2016

| | <u>Original & Final Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|---------------------------------------|--|-------------------|---|
| Revenues | | | |
| Taxes | | | |
| Property taxes | \$ 148,320 | \$ 148,320 | \$ - |
| Specific ownership taxes | 14,000 | 12,835 | (1,165) |
| Operations and maintenance fee | 10,000 | - | |
| Interest and penalties | 200 | 250 | 50 |
| Interest income | <u>400</u> | <u>372</u> | <u>(28)</u> |
| Total Revenues | <u>172,920</u> | <u>161,777</u> | <u>(1,143)</u> |
| Expenditures | | | |
| Operating Expenditures | | | |
| Audit | 5,600 | 5,200 | 400 |
| Accounting | 4,200 | 4,200 | - |
| Admin Expense/General Mgr. | - | - | - |
| Contracted Services | 115,000 | 87,794 | 27,206 |
| County Treasurer's Fees | 4,876 | 4,457 | 419 |
| Dues | 550 | 597 | (47) |
| Insurance | 4,000 | 4,696 | (696) |
| Legal | 6,000 | 4,772 | 1,228 |
| Office Expenses | 150 | 109 | 41 |
| Purchase of Small Equipment | 1,500 | 1,520 | (20) |
| Repairs/Maint To Equipment | 2,000 | 423 | 1,577 |
| Repairs/Maint - Roads | 240,000 | 181,943 | 58,057 |
| Repairs/Maint - Infrastructure | 10,000 | 635 | |
| Utilities | <u>2,000</u> | <u>1,466</u> | <u>534</u> |
| Total Operating Expenditures | <u>395,876</u> | <u>297,812</u> | <u>88,699</u> |
| Other Expenditures | | | |
| Capital Outlay | 40,000 | - | 40,000 |
| Contingency | 10,000 | - | 10,000 |
| Emergency Reserves | <u>9,117</u> | <u>-</u> | <u>9,117</u> |
| Total Other Expenditures | <u>59,117</u> | <u>-</u> | <u>59,117</u> |
| Total Expenditures | <u>454,993</u> | <u>297,812</u> | <u>147,816</u> |
| Excess Revenue Over (Under) | | | |
| Expenditures | <u>(282,073)</u> | <u>(136,035)</u> | <u>146,038</u> |
| Fund Balance—Beginning of year | <u>335,901</u> | <u>381,841</u> | <u>45,940</u> |
| Fund Balance—End of Year | <u>\$ 53,828</u> | <u>\$ 245,806</u> | <u>\$ 191,978</u> |

The accompanying notes are an integral part of these financial statements.

Tamarron Metropolitan District

Notes to Financial Statements

December 31, 2016

1. Definition of Reporting Entity

Tamarron Metropolitan District (the District), was established on November 11, 2003 as a quasi-municipal corporation and political subdivision of the State of Colorado. The District was formed primarily to finance, construct, operate, and maintain the basic public infrastructure for Tamarron VI, the Tamarron Golf-Courses and Clubhouse, and certain other commercial portions of Tamarron VI and the Lodge in an area of approximately 730 acres of land in La Plata County, Colorado.

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.

Based on the criteria discussed above, the District is not financially accountable for any other entity, nor is the District a component unit of any other government.

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

2. Summary of Significant Accounting Policies

This summary of the Tamarron Metropolitan District's significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. The policies are considered essential and should be read in conjunction with the accompanying financial statements.

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. For the most part, the effect of interfund activity has been removed from these statements.

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

Tamarron Metropolitan District
Notes to Financial Statements (continued)
December 31, 2016

2. Summary of Significant Accounting Policies (continued)

The statement of activities demonstrates the degree to which the direct 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. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Government-wide financial statements do not include fiduciary funds nor component units that are fiduciary in nature. Revenues are recognized when earned and expenses are recognized 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. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Only current assets and liabilities are included on the balance sheet, and the fund balance includes only spendable resources. Under the modified accrual basis of accounting, revenues are recognized as soon as they are both “measurable and available”. Measurable means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred as under accrual accounting. However, debt service expenditures are reported only when payment is made. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt are reported as other financing sources.

The District reports the following major governmental funds:

General Fund – 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.

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

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Tamarron Metropolitan District
Notes to Financial Statements (continued)
December 31, 2016

2. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

Cash and cash equivalents are defined as deposits that can be withdrawn at any time without notice or penalty and investments with maturities of three months or less.

Deposits and Investments

Colorado law authorizes the District to invest in obligations of the United States, State of Colorado, Colorado counties and school districts, repurchase agreements, financial institutions, and local government investment pools. House Bill 1056 expanded the list of investments that are legal for local governments.

Allowance for Uncollectibles

No allowance for uncollectibles has been provided because the District's receivables are property taxes, and the County Treasurer is empowered to file liens on properties where delinquencies exist. Accordingly, the District believes any delinquencies will eventually be paid.

Capital Assets

Capital assets, which include land, buildings, equipment, vehicles, and infrastructure assets, are reported in the government-wide financial statements. The District defines capital assets with an initial cost of \$5,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. Capital assets are depreciated over their estimated useful lives on the straight line basis.

Facility Fees

The District collects a Facility Fee of \$2,500 from Glacier Development Corporation (the "Developer") upon the sale or transfer of any platted lots within the District's boundaries as prescribed in the District's service plan.

Budget

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.

Tamarron Metropolitan District
Notes to Financial Statements (continued)
December 31, 2016

2. Summary of Significant Accounting Policies (continued)

Budgetary Accounting

Tamarron Metropolitan District adheres to the following procedures in establishing the budgetary data reflected in the budgetary comparison schedule.

The Board of Directors adopts an annual legal budget, which covers the general fund and the debt service fund. Budgets are prepared on the modified accrual basis. Statements comparing budget and actual amounts for these governmental funds include adjustments to the budgetary basis for the differences noted above and for certain other items which are reported in the District's budget differently than they are reported for accounting principles generally accepted in the United States. The District Manager is authorized to transfer budgeted amounts for departmental line items; however any revisions that alter total expenditures for any of the funds must be approved by the Board of Directors.

On or before October 15th of each year, the District Manager submits to the Board of Directors a proposed budget for the fiscal year. The budget includes proposed expenditures and the means of financing them. Public hearings are conducted by the Board of Directors to obtain taxpayer comments. State law requires that the District adopt a budget prior to the certification of its mill levy to the county and file a certified copy of its budget with the Division of Local Government within 30 days of such adoption. Failure to do so can result in the County Treasurer withholding future property tax revenues pending compliance by the District. The District filed the certified copy of its budget timely for 2016.

The District uses the current financial resources measurement focus and the modified accrual basis of accounting in preparing the budget. Expenditure estimates in the annual budget are enacted into law by the passage of appropriation resolutions. Budgetary control exists at the total fund level and encumbrance accounting is not employed as a part of the budgetary process.

Budget appropriations lapse at the end of each year.

Restrictions

The District records reserves to indicate that a portion of the fund balance is legally segregated for a specific future use. The following is a list of reserves used by the District and a description of each:

Restricted for Emergencies - An account used to reflect equity of the District which is restricted for emergency purposes by the TABOR Amendment of the State of Colorado Constitution. "Emergency" excludes economic conditions, revenue shortfalls, or District salary and fringe benefit increases.

Tamarron Metropolitan District
Notes to Financial Statements (continued)
December 31, 2016

2. Summary of Significant Accounting Policies (continued)

Restricted resources are used first to fund appropriations for which both restricted and unrestricted net position are available.

Revenue Recognition – Property Taxes

In the governmental fund financial statements property tax revenue is accounted for using the modified accrual basis of accounting. Property tax receivable is recognized on the levy or lien date. This receivable represents taxes certified by the county to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied in the governmental fund statements.

The District's Property taxes, levied by December 15, on assessed valuation as of the preceding January 1, are due and payable in the subsequent calendar year. Assessed values are established by the county assessor. Property taxes attach as an enforceable lien on property as of January 1 of the year in which payable. The taxes are payable under two methods: 1) in full on or before April 30, 2) one-half on or before February 28, and the remaining one-half on or before June 15. All unpaid taxes levied for the preceding year become delinquent June 16.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Due to and Due from Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. The balances result from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Debt Authorization

On November 4, 2003, the District's voters approved an increase in debt up to \$150,000,000 and a related increase in taxes up to \$17,570,000, annually, or by such lesser annual amounts as may be necessary to pay the District's debt. The debt is to be incurred for the acquisition, construction, or otherwise providing infrastructure, including but not limited to streets, roads,

Tamarron Metropolitan District
Notes to Financial Statements (continued)
December 31, 2016

2. Summary of Significant Accounting Policies (continued)

sidewalks, bridges, traffic controls, water supply and distribution system, sewage collection system, park and recreation facilities, open space, television relay and translation system improvements and mosquito control. Additionally, the District's voters approved an increase in debt of \$500,000 and taxes to be increased \$570,000 annually, or by such lesser amount as may be necessary to pay for the District's operations, maintenance, and other expenses.

Additionally, the District's voters approved taxes to be increased \$445,000 annually, or such lesser amounts as necessary to pay the District's administration, operating and landscape maintenance, and other expenses.

All debt and tax increases constitute voter-approved revenue changes and are to be collected and spent by the District without regard to any spending, revenue-raising, or other limitation contained within Article X, Section 20 of the Colorado Constitution, and without limiting in any year the amount of other revenues that may be collected and spent by the District.

TABOR Amendment

On November 4, 2003, the District's voters approved a ballot question exempting the District from certain provisions of TABOR. The District's management believes it is in compliance with the financial provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of its provisions, including the interpretation of how to calculate fiscal year spending limits, will require judicial interpretation.

Fund Equity

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.

Tamarron Metropolitan District
Notes to Financial Statements (continued)
December 31, 2016

2. Summary of Significant Accounting Policies (continued)

- *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 provision, 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 policy to use the most restrictive classification first.

The District considers all unassigned fund balances to be available for future operations or capital replacement as defined within Article X, Section 20 of the Constitution of the State of Colorado (see Note 8).

3. Cash and Investments

Deposits consist of checking accounts, which are stated at cost. The District considers all highly liquid assets with a maturity of three months or less when purchased to be cash equivalents.

Investments are stated at fair value. Any differences between the market value and cost of investments are reflected in investment income.

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

| | |
|--------------------------------------|-------------------|
| Deposits with financial institutions | <u>\$ 264,108</u> |
|--------------------------------------|-------------------|

Tamarron Metropolitan District
Notes to Financial Statements (continued)
December 31, 2016

3. Cash and Investments (continued)

Deposits with Financial Institutions

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

Custodial Credit Risk – Custodial credit risk is the risk that in the event of bank failure, the District’s deposits may not be returned to it. The District’s policy requires all deposits to be held in PDPA approved financial institutions. At December 31, 2016, none of the District’s deposits were exposed to custodial credit risk. Deposits exposed to credit risk are collateralized with securities held by the pledging financial institution through PDPA.

At December 31, 2016, the District’s cash deposits had a bank balance of \$259,049 and a carrying balance of \$264,108, of which, \$250,000 was FDIC insured.

Investments

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

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

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

Tamarron Metropolitan District
Notes to Financial Statements (continued)
December 31, 2016

3. Cash and Investments (continued)

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

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

As of December 31, 2016, the District had no investments.

4. Net Position Deficit and Subsequent Events

The District has a deficit balance in net position for the year ended December 31, 2016. This deficit is the result of recording infrastructure assets and the related debt. The infrastructure assets have been depreciated, which reduces their balance without a corresponding decrease in the bond payable. Additionally, the bond balance has increased annually as a result of the accrual for interest. The deficit will be remedied as bond liabilities are paid in the future.

During 2016, the District was not be able to meet the full payment obligation as required per the Series 2006 General Obligation bond agreement. The District will continue to make payments to the extent that revenues are received and has received written confirmation from the bondholders that they are not planning at this time to exercise their rights under the default remedies per the bond agreement.

Tamarron Metropolitan District
Notes to Financial Statements (continued)
December 31, 2016

5. Capital Assets

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

| | Balance December 31, 2015 | Additions | Deletions | Balance December 31, 2016 |
|---------------------------|---------------------------------|----------------------|-------------|---------------------------------|
| Equipment | \$ 149,993 | \$ - | \$ - | \$ 149,993 |
| Infrastructure | <u>17,907,471</u> | - | - | <u>17,907,471</u> |
| Total | <u>18,057,464</u> | - | - | <u>18,057,464</u> |
| Less Accumulated | | | | |
| Depreciation | <u>(10,873,769)</u> | <u>(1,131,903)</u> | - | <u>(12,005,672)</u> |
| Total Capital Assets, Net | <u>\$ 7,183,695</u> | <u>\$(1,131,903)</u> | <u>\$ -</u> | <u>\$ 6,051,792</u> |

Depreciation expense was \$1,131,903 for the year ending December 31, 2016, and was charged to governmental activities.

6. Related Party Transactions

Three of five members of the District's Board of Directors are employees of and/or have a direct financial interest in the Developer.

Snow plowing and landscape maintenance services are being provided to the District by a company controlled by the Developer. During 2016, the District incurred costs of \$87,794 for these services. As of December 31, 2016, \$13,664 of these costs remained outstanding and payable to the Developer.

During the year ended December 31, 2016, accounting services were provided to the District by a company which is owned by the spouse of a member of the Board of Directors. During the year ended December 31, 2016, the District incurred costs of \$4,200 for accounting services. As of December 31, 2016, \$1,050 of these costs remained outstanding and payable to the Accountant.

7. Long-Term Debt

During 2006, the District issued \$23,127,000 Conversion Date Accreted Value (General Obligation Limited Tax Convertible Capital Appreciation Bonds) Series 2006. The face amount of the bonds is \$18,778,088, and the proceeds were used to pay for the infrastructure built by the Developer. The bond payment schedule did not require payments until 2010. Until that date, interest was accrued at 7% and added to the fair value of the bond.

Tamarron Metropolitan District
Notes to Financial Statements (continued)
December 31, 2016

7. Long-Term Debt (continued)

Starting in 2010, payments are interest only. Payments will be made on June 1 and December 1. Unpaid interest is shown as accrued interest payable on the statement of net position. Payments of principal will be made when funds are available and began being due on December 1, 2013. Since there were not sufficient funds for the \$395,000 principal payment required in 2015, that amount has been added to the principal due in 2016, of \$660,000. See Note 4 for further information.

Changes in governmental activities Long-Term Debt:

| | Balance December 31, 2015 | Additions | Payments | Balance December 31, 2016 | Due Within One Year |
|---|---------------------------------|-----------|----------|---------------------------------|------------------------|
| Series 2006, General Obligation Bonds | \$ 23,127,000 | \$ - | \$ - | \$ 23,127,000 | \$ 1,000,000 |

Schedule of payments due in the next five years and thereafter:

| | Interest Rate | Principal | Interest | Total |
|-----------|---------------|----------------------|----------------------|----------------------|
| 2017 | 7.00% | \$ 1,000,000 | \$ 1,572,690 | \$ 2,572,690 |
| 2018 | 7.00% | 426,000 | 1,548,890 | 1,974,890 |
| 2019 | 7.00% | 487,000 | 1,519,070 | 2,006,070 |
| 2020-2024 | 7.00% | 3,402,000 | 6,994,610 | 10,396,610 |
| 2025-2029 | 7.00% | 5,353,000 | 5,550,020 | 10,903,020 |
| 2030-2034 | 7.00% | 8,168,000 | 3,309,670 | 11,477,670 |
| 2035-2036 | 7.00% | 4,291,000 | 457,240 | 4,748,240 |
| | | <u>\$ 23,127,000</u> | <u>\$ 20,952,190</u> | <u>\$ 44,079,190</u> |

8. Joint Venture

The District is a participant in the Colorado Special Districts Property and Liability Pool (the Pool). The Pool is a joint venture between the Special District Association of Colorado and various special districts in Colorado. The Pool provides property and general liability, automobile physical damage and liability, public officials' liability, inland marine, money and security and boiler and machinery coverage to its members.

Tamarron Metropolitan District has not had losses of a material amount in any of the preceding three years. The District does not know its percentage share of the joint venture.

Tamarron Metropolitan District
Notes to Financial Statements (continued)
December 31, 2016

8. Joint Venture (continued)

The Pool has contracted with other third parties to operate, administer and manage the Pool. The Pool is responsible for its own budgets. In the event aggregated losses incurred by the Pool exceeds amounts recoverable from the reinsurance contracts and capital and surplus accumulated by the Pool, the Pool may require additional contributions from the Pool members.

The Pool issues a publicly available annual financial report that includes financial statements and supplementary information. That report may be obtained by calling the Colorado Special District Association at 303-863-1733 in the Denver Metro area and 1-800-886-1733 from outside the Metro area.

Tamarron Metropolitan District

Supplementary Information

Tamarron Metropolitan District
Statement of Revenues, Expenditures
and Changes in Fund Balance—Actual and Budget
Governmental Fund Type—Debt Service Fund
For the Year Ended December 31, 2016

| | Original & Final Budget | Actual | Variance Favorable (Unfavorable) |
|--|--|---------------|---|
| Revenues | | | |
| Taxes | | | |
| Property taxes | \$ 422,142 | \$ 422,142 | \$ - |
| Specific ownership taxes | 35,000 | 36,531 | 1,531 |
| Facility fees | 5,000 | 5,000 | - |
| Interest and penalties | 400 | 857 | 457 |
| Interest income | - | 11 | 11 |
| Total Revenues | 462,542 | 464,541 | 1,999 |
| Expenditures | | | |
| Debt Service | | | |
| Interest and fiscal charges | 459,701 | 447,829 | 11,872 |
| Bond agent fees | 2,500 | 2,500 | - |
| Legal fees | 1,000 | - | 1,000 |
| Treasurer fees | 12,665 | 12,685 | (20) |
| Total Expenditures | 475,866 | 463,014 | 12,852 |
| Excess Revenue Over (Under) | | | |
| Expenditures | (13,324) | 1,527 | (10,853) |
| Other financing sources (uses): | | | |
| Transfers in | - | - | - |
| Total Other Financing Sources (Uses) | - | - | - |
| Net change | (13,324) | 1,527 | (10,853) |
| Fund Balance—Beginning of year | - | 9,210 | 9,210 |
| Fund Balance—End of Year | \$ (13,324) | \$ 10,737 | \$ 24,061 |

The accompanying notes are an integral part of these financial statements.