

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 1

Financial Statements

Year Ended December 31, 2016

with

Independent Auditors' Report

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Independent Auditor's Report

Board of Directors
Fossil Ridge Metropolitan District No. 1
Jefferson County, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Fossil Ridge Metropolitan District No. 1 as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Fossil Ridge Metropolitan District No. 1 as of December 31, 2016, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The supplementary information as listed in the table of contents is presented for purposes of legal compliance and additional analysis and is not a required part of the financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

L. Paul Goedecke P.C.

L. Paul Goedecke, P.C.
April 25, 2018

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 1

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

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS						
Cash and investments	\$ 284,168	\$ -	\$ -	\$ 284,168	\$ -	\$ 284,168
Cash and investments - restricted	54,026	1,770,342	652,888	2,477,256	-	2,477,256
Accounts receivable - assessments	2,866	-	-	2,866	-	2,866
Accounts receivable - developer	-	-	1,074,180	1,074,180	(1,074,180)	-
Deposits	-	-	19,070	19,070	-	19,070
Prepaid expenses	43,217	-	-	43,217	-	43,217
Due from District #2	681	2,532	-	3,213	-	3,213
Due from District #3	887	2,707	-	3,594	-	3,594
Capital assets not being depreciated	-	-	-	-	28,875,193	28,875,193
Capital assets, net of accumulated depreciation	-	-	-	-	7,249,814	7,249,814
Total Assets	<u>\$ 385,845</u>	<u>\$ 1,775,581</u>	<u>\$ 1,746,138</u>	<u>\$ 3,907,564</u>	<u>35,050,827</u>	<u>38,958,391</u>
LIABILITIES						
Accounts payable	\$ 19,123	\$ -	\$ 1,591,104	\$ 1,610,227	-	1,610,227
Prepaid assessments	84,762	-	-	84,762	-	84,762
Retainage payable	-	-	155,034	155,034	-	155,034
Accrued interest on bonds	-	-	-	-	49,481	49,481
Long-term liabilities:						
Due within one year	-	-	-	-	75,000	75,000
Due in more than one year	-	-	-	-	57,249,154	57,249,154
Total Liabilities	<u>103,885</u>	<u>-</u>	<u>1,746,138</u>	<u>1,850,023</u>	<u>57,373,635</u>	<u>59,223,658</u>
FUND BALANCES/NET POSITION						
Fund balances:						
Nonspendable:						
Prepaid expenses	43,217			43,217	(43,217)	-
Restricted:						
Emergencies	54,026	-	-	54,026	(54,026)	-
Debt service	-	1,775,581	-	1,775,581	(1,775,581)	-
Unassigned	227,934	-	-	227,934	(227,934)	-
Total Fund Balances	<u>281,960</u>	<u>1,775,581</u>	<u>-</u>	<u>2,057,541</u>	<u>(2,057,541)</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 385,845</u>	<u>\$ 1,775,581</u>	<u>\$ 1,746,138</u>	<u>\$ 3,907,564</u>		
Net Position:						
Restricted for:						
Emergencies					54,026	54,026
Debt service					1,726,100	1,726,100
Unrestricted					<u>(22,045,393)</u>	<u>(22,045,393)</u>
Total Net Position (Deficit)					<u>\$ (20,265,267)</u>	<u>\$ (20,265,267)</u>

The notes to the financial statements are an integral part of these statements.

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 1

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

	<u>General</u>	Debt <u>Service</u>	Capital <u>Project</u>	<u>Total</u>	<u>Adjustments</u>	Statement of <u>Activities</u>
EXPENDITURES						
Property management	\$ 52,414	\$ -	\$ -	\$ 52,414	\$ -	\$ 52,414
Accounting and audit	13,697	-	24,789	38,486	(24,789)	13,697
Insurance	38,494	-	-	38,494	-	38,494
Legal	19,954	-	79,939	99,893	(79,939)	19,954
Grounds	387,637	-	-	387,637	-	387,637
Retreat	228,576	-	-	228,576	-	228,576
Utilities	185,429	-	-	185,429	-	185,429
Sewer operations	252,433	-	-	252,433	-	252,433
Miscellaneous	2,918	-	12,541	15,459	(12,541)	2,918
Bond principal - 2010 bonds	-	55,000	-	55,000	(55,000)	-
Bond interest - 2010 bonds	-	597,762	-	597,762	(333)	597,429
Trustee/paying agent fees	-	2,500	-	2,500	-	2,500
Capital improvements	-	-	5,296,957	5,296,957	(5,296,957)	-
Repay developer principal	-	-	4,583,463	4,583,463	(4,583,463)	-
Repay developer interest	-	-	8,008,420	8,008,420	(8,008,420)	-
Depreciation	-	-	-	-	374,783	374,783
Interest on developer advances - operations	-	-	-	-	48,637	48,637
Interest on developer advances - capital	-	-	-	-	3,030,648	3,030,648
Total Expenditures	<u>1,181,552</u>	<u>655,262</u>	<u>18,006,109</u>	<u>19,842,923</u>	<u>(14,607,374)</u>	<u>5,235,549</u>
PROGRAM REVENUES						
System development fees	-	-	557,550	557,550	-	557,550
Storm drainage fees	-	-	132,750	132,750	-	132,750
Sewer fees	-	-	37,062	37,062	-	37,062
Homeowner assessments	635,141	-	-	635,141	-	635,141
Sewer service fees	159,324	-	-	159,324	-	159,324
Sewer operations fees	68,737	-	-	68,737	-	68,737
Sewer administration fees	22,530	-	-	22,530	-	22,530
Landscape fee	8,844	-	-	8,844	-	8,844
Maintenance fee	3,000	-	-	3,000	-	3,000
Amenity user fees	55,291	-	-	55,291	-	55,291
Conservation trust fund	-	-	3,718	3,718	-	3,718
Miscellaneous income	9,789	-	-	9,789	-	9,789
Total Program Revenues	<u>962,656</u>	<u>-</u>	<u>731,080</u>	<u>1,693,736</u>	<u>-</u>	<u>1,693,736</u>
Net Program Income (Expense)	<u>(218,896)</u>	<u>(655,262)</u>	<u>(17,275,029)</u>	<u>(18,149,187)</u>	<u>14,607,374</u>	<u>(3,541,813)</u>
GENERAL REVENUES						
Transfer from District No. 2	109,485	407,286	12,591,883	13,108,654	-	13,108,654
Transfer from District No. 3	143,144	532,494	-	675,638	-	675,638
Interest income	-	265	1,451	1,716	-	1,716
Total General Revenues	<u>252,629</u>	<u>940,045</u>	<u>12,593,334</u>	<u>13,786,008</u>	<u>-</u>	<u>13,786,008</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	33,733	284,783	(4,681,695)	(4,363,179)	14,607,374	10,244,195
OTHER FINANCING SOURCES (USES)						
Developer advances	-	-	4,595,497	4,595,497	(4,595,497)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>4,595,497</u>	<u>4,595,497</u>	<u>(4,595,497)</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	33,733	284,783	(86,198)	232,318	(232,318)	
CHANGES IN NET POSITION					10,244,195	10,244,195
FUND BALANCES/NET POSITION						
BEGINNING OF YEAR	<u>248,227</u>	<u>1,490,798</u>	<u>86,198</u>	<u>1,825,223</u>	<u>(32,334,685)</u>	<u>(30,509,462)</u>
END OF YEAR	<u>\$ 281,960</u>	<u>\$ 1,775,581</u>	<u>\$ -</u>	<u>\$ 2,057,541</u>	<u>\$ (22,322,808)</u>	<u>\$ (20,265,267)</u>

The notes to the financial statements are an integral part of these statements.

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 1

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
GENERAL FUND

For the Year Ended December 31, 2016

	Original & Final		Variance
	<u>Budget</u>	<u>Actual</u>	Favorable (Unfavorable)
REVENUES			
Transfer from District No. 2	\$ 109,412	\$ 109,485	\$ 73
Transfer from District No. 3	143,335	143,144	(191)
Homeowner assessments	680,400	635,141	(45,259)
Sewer service fees	188,568	159,324	(29,244)
Sewer operations fees	61,511	68,737	7,226
Sewer administration fees	21,600	22,530	930
Landscape fee	18,000	8,844	(9,156)
Maintenance fee	3,600	3,000	(600)
Amenity user fees	55,000	55,291	291
Miscellaneous income	<u>274</u>	<u>9,789</u>	<u>9,515</u>
Total Revenues	<u>1,281,700</u>	<u>1,215,285</u>	<u>(66,415)</u>
EXPENDITURES			
Property management	39,600	52,414	(12,814)
Accounting and audit	30,000	13,697	16,303
Office Administration	9,000	-	9,000
Insurance	48,000	38,494	9,506
Legal	50,000	19,954	30,046
Grounds	337,300	387,637	(50,337)
Retreat	309,381	228,576	80,805
Utilities	177,319	185,429	(8,110)
Sewer operations	311,679	252,433	59,246
Website	8,000	-	8,000
Miscellaneous	-	2,918	(2,918)
Contingency	22,461	-	22,461
Emergency reserve	<u>38,960</u>	<u>-</u>	<u>38,960</u>
Total Expenditures	<u>1,381,700</u>	<u>1,181,552</u>	<u>200,148</u>
EXCESS (DEFICIENCY) OF REVENUES OVER			
EXPENDITURES	(100,000)	33,733	133,733
OTHER FINANCING SOURCES			
Transfer from Capital Projects fund	<u>100,000</u>	<u>-</u>	<u>(100,000)</u>
Total Other Financing Sources	<u>100,000</u>	<u>-</u>	<u>(100,000)</u>
NET CHANGE IN FUND BALANCE	-	33,733	33,733
FUND BALANCE:			
BEGINNING OF YEAR	<u>-</u>	<u>248,227</u>	<u>248,227</u>
END OF YEAR	<u>\$ -</u>	<u>\$ 281,960</u>	<u>\$ 281,960</u>

The notes to the financial statements are an integral part of these statements.

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements December 31, 2016

Note 1: Summary of Significant Accounting Policies

The accounting policies of the Fossil Ridge Metropolitan District No. 1 (“District”), located in Jefferson County, Colorado, conform to the accounting principles generally accepted in the United States of America (“GAAP”) as applicable to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies consistently applied in the preparation of financial statements.

Definition of Reporting Entity

The District was organized October 10, 2006, as a quasi-municipal organization established under the State of Colorado Special District Act. At the time of formation, the Fossil Ridge Metropolitan District No. 2 (“District No. 2”) and the Fossil Ridge Metropolitan District No. 3 (“District No. 3”) were also formed. All three districts are governed by the same Service Plan (as amended by the Second Amended and Restated Service Plan approved by the City of Lakewood on August 27, 2007), which provides that the District is the “Operating District” and District No. 2 and District No. 3 are the “Taxing Districts”. The Taxing Districts are to provide funding to the Operations District for the construction, operation and maintenance of various public improvements and the Operating District is expected to manage such construction, operation and maintenance. The District's primary revenues are homeowner assessments, developer advances and transfers from the Taxing Districts. The District is governed by an elected Board of Directors.

As required by GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District follows the GASB pronouncements, which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB sets 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 pronouncements also require including a possible component unit if it would be misleading to exclude it.

The District is not financially accountable for any other organization. The District has no component units as defined by the GASB.

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

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements December 31, 2016

Basis of Presentation

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

The government-wide financial statements (i.e. the governmental funds balance sheet/statement of net position and the governmental funds statement of revenues, expenditures, and changes in fund balances/statement of activities) report information on all of the governmental activities of the District. The statement of net position reports all financial and capital resources of the District. The difference between the (a) assets and deferred outflows of resources and the (b) liabilities and deferred inflows of resources of the District is reported as net position. The statement of activities demonstrates the degree to which expenditures/expenses of the governmental funds are supported by general revenues. For the most part, the effect of interfund activity has been removed from these statements.

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*.

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 the related cash flows. Property taxes are recognized as revenues in the year for which they are collected.

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 District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The material sources of revenue subject to accrual are property taxes and interest. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is paid.

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements December 31, 2016

The District reports the following major governmental funds:

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

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

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

Budgetary Accounting

Budgets are adopted on a non-GAAP basis for the governmental funds. In accordance with the State Budget Law of Colorado, the District's Board of Directors holds public hearings in the fall of each year to approve the budget and appropriate the funds for the ensuing year. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated. The appropriation is at the total fund expenditures level and lapses at year end.

Assets, Liabilities and Net Position Fair Value of Financial Instruments

The District's financial instruments include cash and cash equivalents, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2016, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand and short-term investments with maturities of three months or less from the date of acquisition. Investments for the government are reported at fair value.

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 minimum number of bank accounts. 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.

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements December 31, 2016

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report 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 District has no items that qualify for reporting in this category.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable using the straight-line method. Depreciation on property that will remain assets of the District is reported on the Statement of Activities as a current charge. Improvements that will be conveyed to other governmental entities are classified as construction in progress and are not depreciated. Land and certain landscaping improvements are not depreciated.

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

Community center	25 years
Sanitation	40 years

Interfund Balances

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds”. These amounts are eliminated in the Statement of Net Position.

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements December 31, 2016

Estimates

The preparation of these financial statements in conformity with GAAP requires the District management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Property Taxes

Property taxes are levied by the District's 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 taxpayers' election, in February and June. Delinquent taxpayers are notified in July or August and the sales of the resultant tax liens on delinquent properties are generally held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows in the year they are levied and measurable since they are not normally available nor are they budgeted as a resource until the subsequent year. The deferred property taxes are recorded as revenue in the subsequent year when they are available or collected.

The District has a limited amount of assessed valuation and therefore has not certified a mill levy.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

Fund Equity

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications make the nature and extent of the constraints placed on a government's fund balance more transparent:

Nonspendable Fund Balance

Nonspendable fund balance includes amounts that cannot be spent because they are either not spendable in form such as inventory or prepaids) or are legally or contractually required to be maintained intact.

The nonspendable fund balance in the General Fund in the amount of \$43,217 represents prepaid expenditures.

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements December 31, 2016

Restricted Fund Balance

The restricted fund balance includes amounts restricted for a specific purpose by external parties such as grantors, bondholders, constitutional provisions or enabling legislation.

The restricted fund balance in the General Fund represents Emergency Reserves that have been provided as required by Article X, Section 20 of the Constitution of the State of Colorado. A total of \$54,026 of the General Fund balance has been reserved in compliance with this requirement.

The restricted fund balance in the Debt Service Fund in the amount of \$1,775,581 is restricted for the payment of the debt services costs associated with the 2010 Tax-Supported Revenue Refunding Bonds (see Note 4) as well as bond proceeds held by the trustee as a “reserve requirement”.

Committed Fund Balance

The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by a 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

Assigned fund balance includes amounts the District intends to use for a specific purpose. Intent can be expressed by the District’s Board of Directors or by an official or body to which the Board of Directors delegates the authority.

Unassigned Fund Balance

Unassigned fund balance includes amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

Net Position

Net Position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The District reports three categories of net position, as follows:

Net investment in capital assets – consists of net capital assets, reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows or resources related to those assets.

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements
December 31, 2016

Restricted net position – net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

Unrestricted net position – consists of all other net position that does not meet the definition of the above two components and is available for general use by the District.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District will use the most restrictive net position first.

Note 2: Cash and Investments

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

Statement of Net Position:

Cash and investments	\$ 284,168
Cash and investments – Restricted	<u>2,477,256</u>
Total	\$ <u>2,761,424</u>

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

Deposits with financial institutions	\$ 896,314
Investments – COLOTRUST	99,072
Investments – Federated Treasury	<u>1,766,038</u>
	\$ <u>2,761,424</u>

Deposits

Custodial Credit Risk

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

The District follows state statutes for deposits. None of the District’s deposits were exposed to custodial credit risk.

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements December 31, 2016

Investments

Investment Valuation

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District has the following recurring fair value measurements as of December 31, 2016:

An external investment pool that records its investments at fair value. The investment in COLOTRUST is categorized as a Level 2 Investment. The investment in Federated Treasury Obligations Fund is also categorized as a Level 2 Investment.

Credit Risk

The District has not adopted a formal investment policy; however the District follows state statutes regarding investments. Colorado statutes specify the types of investments meeting defined rating and risk criteria in which local governments may invest. These investments include obligations of the United States and certain U.S. Government agency entities, certain money market funds, guaranteed investment contracts, and local government investment pools.

Custodial and Concentration of Credit Risk

None of the District's investments are subject to custodial or concentration of credit risk.

Interest Rate Risk

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors.

Federated Treasury Obligations Fund

During 2015, the District's funds that were included in the trust accounts at the UMB Bank were invested in the Federated Treasury Obligations Fund. This fund is a money market fund and each share is equal in value to \$1.00. The fund is AAAM rated and invests exclusively in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. The maturity of the underlying securities is 397 days or less, and is a Level 2 investment under the fair value hierarchy. As of December 31, 2016, the District has \$1,766,038 invested in the fund, all of which was restricted for the repayment of bond principal and interest.

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements
December 31, 2016

COLOTRUST

The local government investment pool, Colorado Local Government Liquid Asset Trust (“COLOTRUST”) is rated AAAM by Standard & Poor’s with a weighted average maturity of under 60 days, a Level 2 investment under the fair value hierarchy. COLOTRUST is an investment trust/joint ventures established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The trusts operate similarly to a money market fund with each share maintaining a value of \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both investments consist of U.S. Treasury bills and notes and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. Designated custodian banks provide safekeeping and depository services to the trusts. Substantially all securities owned by the trusts are held by the Federal Reserve Bank in the accounts maintained for the custodian banks. The custodians’ internal records identify the investments owned by COLOTRUST. At December 31, 2013, the District had \$99,072 invested in COLOTRUST.

Note 3: Capital Assets

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

Governmental Type Activities:	Balance 1/1/2016	Transfers/ Additions	Transfers/ Deletions	Balance 12/31/2016
<u>Capital assets not being depreciated:</u>				
Construction in progress	\$ 13,919,187	\$ 4,618,705	\$ -	\$ 18,537,892
Parks and recreation	9,541,780	795,521	-	10,337,301
Total capital assets not being depreciated:	<u>23,460,967</u>	<u>5,414,226</u>	<u>-</u>	<u>28,875,193</u>
<u>Capital assets being depreciated:</u>				
Recreation center and Equipment	8,175,745	-	-	8,175,745
Sanitation	1,910,117	-	-	1,910,117
Total capital assets:	<u>10,085,862</u>	<u>-</u>	<u>-</u>	<u>10,085,862</u>
Less accumulated depreciation:				
Recreation center	2,255,850	327,030	-	2,582,880
Sanitation	205,415	47,753	-	253,168
Parks and recreation	-	-	-	-
Total depreciation:	<u>2,461,265</u>	<u>374,783</u>	<u>-</u>	<u>2,836,048</u>
Net capital assets being depreciated:	<u>7,624,597</u>	<u>(374,783)</u>	<u>-</u>	<u>7,249,814</u>
Government type assets, net	<u>\$ 31,085,564</u>	<u>\$ 5,039,443</u>	<u>\$ -</u>	<u>\$ 36,125,007</u>

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements
December 31, 2016

Upon completion and acceptance, all fixed assets except for the recreation center, sanitation, parks and landscaping will be conveyed by the District to other local governments. The District will not be responsible for maintenance.

Note 4: Long Term Debt

The following is an analysis of changes in long-term debt for the period ending December 31, 2016:

	Balance 1/1/2016	Additions	Reductions	Balance 12/31/2016	Current Portion
Developer advances:					
Capital - principal	\$ 49,035,747	\$ 3,521,317	\$ 4,583,463	\$ 47,973,601	\$ -
Capital - interest	5,056,634	3,030,648	8,008,420	78,862	-
Operations - principal	808,257		-	808,257	-
Operations - interest	224,797	48,637	-	273,434	-
Series 2010 - Tax-Supported					
Refunding Revenue Bonds	<u>8,245,000</u>	<u>-</u>	<u>55,000</u>	<u>8,190,000</u>	<u>75,000</u>
	<u>\$ 63,370,435</u>	<u>\$ 6,600,602</u>	<u>\$ 12,646,883</u>	<u>\$ 57,324,154</u>	<u>\$ 75,000</u>

A description of the long-term obligations as of December 31, 2016, is as follows:

\$8,350,000 Tax-Supported Revenue Refunding Bonds – Series 2010

On September 28, 2010, the District issued \$8,350,000 of Tax-Supported Revenue Refunding Bonds, Series 2010 (“Series 2010 Bonds”). The bonds mature in increasing amounts beginning December 1, 2013. The bonds were issued for the purpose of advance refunding the Series 2009 Bonds, funding a debt service reserve and paying the cost of issuance. The bonds mature on December 1, 2040. The bonds bear interest at the rate of 7.25%, payable semiannually on each June 1 and December 1, commencing on December 1, 2010. The bonds are subject to redemption prior to maturity on any date on or after December 1, 2020, at a redemption price equal to 100% of their principal amount plus accrued interest. The Series 2010 Bonds are secured by Pledged Revenues including ad valorem taxes and specific ownership taxes collected by the Financing Districts beginning in 2010 per an Amended and Restated Joint Funding Agreement with District No. 2 and District No.3 as approved on September 1, 2010.

Associated with the issuance of the Series 2010 Bonds, the District funded a reserve fund for the Bonds in the amount of \$819,152. These funds are to be used to make up any deficiencies relating to the timely payment of principal and interest. In addition, the District used \$8,204,403 of the proceeds to establish the escrow accounts for the refunded Series 2009 Bonds. The refunding generated a Net Present Value savings of \$107,376.

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements
December 31, 2016

The following is a summary of the annual long-term debt principal and interest requirements on the Series 2010 Bonds:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 65,000	\$ 593,775	\$ 658,775
2018	75,000	589,063	664,063
2019	90,000	583,625	673,625
2020	100,000	577,100	677,100
2021	115,000	569,850	684,850
2022 - 2026	830,000	2,700,987	3,530,987
2027 - 2031	1,380,000	2,325,438	3,705,438
2032 - 2036	2,175,000	1,718,975	3,893,975
2037 - 2040	3,360,000	717,024	4,077,024
	<u>\$ 8,190,000</u>	<u>\$ 10,375,837</u>	<u>\$ 18,565,837</u>

Master Intergovernmental Agreement

On January 8, 2008, the District entered into a Master Intergovernmental Agreement with District No. 2 and District No. 3. Per the agreement, the District is to construct, own, maintain and operate the facilities benefiting District No. 2 and District No. 3, which may include the borrowing of funds or issuance of revenue bonds. District No. 2 and District No. 3 are to pay all costs related to the construction, operation, and maintenance of such facilities, including the payment of amounts owing in connection with bonds issued to finance such facilities. Such financial obligations are to be paid from the Taxing Districts' annual certification of a mill levy, subject to the limitations of the Service Plan and not to exceed 50 mills. The IGA also sets forth certain provisions pertaining to the processes for payment of capital, operations and maintenance costs, review of budgets and project plans, execution of construction contracts, administrative management, establishment of user fees, and the transfers of funds between districts.

Joint Funding Agreements

On September 1, 2009, the District entered into a Joint Funding Agreement with Districts No. 2 and No. 3 to provide for the payment to the trustee of certain property taxes and specific ownership taxes collected by Districts No. 2 and No. 3 for the purpose of paying debt service on its Series 2009 Bonds. An Amended and Restated Joint Finding Agreement was approved on September 1, 2010 which allowed for the payment of the debt service related to the Series 2010 Bonds.

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements December 31, 2016

On December 22, 2014, the District entered into a 2014 Joint Funding Agreement with District No. 2 and District No. 3, pursuant to which District No. 2 and District No. 3 will be obligated to impose a required mill levy for the purpose of providing for the payment of District No. 3's Series 2014 Bonds. All revenues payable to the trustee under the Funding Agreements constitute Pledged Revenue pledged to the payment of the Series 2010 Bonds and Series 2014 Bonds on parity.

On December 7, 2016, the District entered into a First Amendment to Joint Funding Agreement which amended the Original Joint Funding Agreement to clarify that the term "Estimated Debt Requirements" is to include all Parity Debt as well as Bonds.

Reimbursement of Developer Loan and Public Infrastructure Acquisition Agreement

On May 13, 2008, the District entered into a Reimbursement of Developer Loan and Public Infrastructure Acquisition Agreement with Brookfield Residential (Colorado), LLC, formerly Carma (Colorado), Inc. ("Developer"). The agreement provides for the advancement by the Developer of certain moneys for capital improvements, and operating and maintenance costs for an amount not to exceed \$91,000,000. The agreement also provides for the repayment of these advances using bond proceeds and or with any legally available funds. These advances shall bear interest at a rate of 6% per annum from the date of the advance. The agreement also provides for the District to acquire any public improvements constructed by the Developer upon receipt of the proper engineer's certificate as to district eligibility. The repayment obligations by the District constitute a multiple fiscal year financial obligation and are not subject to annual appropriation.

Debt Authorization

As of December 31, 2016, the District had remaining voted debt authorization of approximately \$704,650,000. The District has not budgeted to issue new debt during 2017. Per the District's Service Plan, the District, in combination with Districts No. 2 and No. 3, cannot issue more than \$91 million in revenue debt, of which \$70 million of such authorization may be allocated to general obligation debt.

Note 5: District Agreements

IGA with Green Mountain Water and Sanitation District – Extra-territorial Sewer Service

On January 15, 2008, the District entered into an Intergovernmental Agreement for Extra-territorial Sewer Service with the Green Mountain Water and Sanitation District ("Green Mountain"). The purpose of this agreement is to outline the responsibilities associated with the design and construction of the sewer system within the District as well as the collection of the associated system development fees and the billing for the ongoing sewer service. The District is in the process of amending this agreement with respect to the collection of the system development fee payments.

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements December 31, 2016

IGA with Green Mountain Water and Sanitation District – Sewer System Maintenance and Repair
On September 19, 2008, the District entered into an Intergovernmental Agreement for Maintenance and Repair of Sewer System with the Green Mountain Water and Sanitation District. Per this agreement, Green Mountain will perform the maintenance and repair services and the District will compensate Green Mountain monthly based on a mutually agreed upon rate schedule.

IGA with the City of Lakewood - Maintenance

On April 22, 2008, the District entered into an Intergovernmental Agreement Relating to Maintenance with the City of Lakewood (“Lakewood”). The purpose of this agreement is to set forth the obligations of and the benefits to both parties in relation to the maintenance activities within the District. Lakewood’s responsibilities will be comparable to its maintenance of other similar improvements throughout the city. This agreement terminates on December 31 of each year and automatically renews for successive one year periods. On September 12, 2016, this agreement was amended by the First Addendum to First Amended and Restated Intergovernmental Agreement between the City of Lakewood and Fossil Ridge Metropolitan District No. 1 Relating to Maintenance. This Addendum relates only to the provisions pertaining to Sign Posts and Frames within the District.

Note 6: Economic Dependency

The District has not yet established a revenue base sufficient to pay the District’s ongoing capital improvements requirements. Until an independent revenue base is established, the continuation of capital improvements in the District will be dependent on funding by the Developer.

Note 7: Tax, Spending and Debt Limitations

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

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements December 31, 2016

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.

On November 7, 2006, a majority of the District's electors authorized the District to collect and spend or retain in a reserve all currently levied taxes and fees of the District without regard to any limitations under Article X, Section 20 of the Colorado Constitution.

Note 8: Risk Management

Except as provided in the Colorado Governmental Immunity Act, 24-10-101, et seq., CRS, the District may be exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors or omissions; injuries to agents; and natural disasters. The District has elected to participate in the Colorado Special Districts Property and Liability Pool ("Pool") which is an organization created by intergovernmental agreement to provide common liability and casualty insurance coverage to its members at a cost that is considered economically appropriate. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for auto, public officials' liability, and property and general liability coverage. In the event aggregated losses incurred by the Pool exceed its amounts recoverable from reinsurance contracts and its accumulated reserves, the District may be called upon to make additional contributions to the Pool on the basis proportionate to other members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

Note 9: Related Party

A majority of the Board of Directors are employees, owners or are otherwise associated with the Developer and may have conflicts of interest in dealing with the District. Management believes that all potential conflicts, if any, have been disclosed to the Board.

Note 10: Reconciliation of Government-Wide Financial Statements and Fund Financial Statements

The Government Funds Balance Sheet/Statement of Net Position includes an adjustments column. The adjustments have the following elements:

- 1) Capital improvements used in government activities are not financial resources and, therefore are not reported in the funds; and,
- 2) long-term liabilities such as bonds payable, accrued bond interest payable, developer advances payable, and accrued interest on developer advances are not due and payable in the current period and, therefore, are not in the funds.

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements December 31, 2016

The Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities includes an adjustments column. The adjustments have the following elements:

- 1) Governmental funds report capital outlays as expenditures; however, in the statement of activities, the costs of those assets are held as construction in progress pending transfer to other governmental entities or depreciated over their useful lives;
- 2) governmental funds report interest expense on the modified accrual basis; however, interest expense is reported on the full accrual method in the statement of activities; and,
- 3) governmental funds report developer advances as revenue; however, these are reported as changes to long-term liabilities on the government-wide financial statements.

Note 10: Subsequent Events

Subsequent to year end, the Developer, Brookfield Residential (Colorado) LLC (“Brookfield”), caused all of the Brookfield-affiliated Directors to resign from the Board of Directors of Fossil Ridge Metropolitan District No. 1 (“Service District”) on June 30, 2017, leaving the Board with no Directors. Brookfield then filed pleadings with the District Court for Jefferson County, Colorado (Case No. 05CV3044), requesting that the Court appoint a receiver to control the Service District. In response to Brookfield’s actions, the Boards for Fossil Ridge Metropolitan District No. 2 and Fossil Ridge Metropolitan District No. 3 (collectively, the “Financing Districts”) filed pleadings with the Court requesting that, in accordance with the express provisions of the January 8, 2008 Master Intergovernmental District Facilities Construction and Services Agreement between the Service District and the Financing Districts, the Court appoint Board members of the Financing Districts to temporarily assume control over the Service District until additional eligible electors can be added to the Service District and elected to the Service District’s Board. On November 13, 2017, the Jefferson County District Court granted the Financing Districts’ request and appointed five of the Board members of the Financing Districts to assume control of the Service District. Brookfield has appealed this decision and litigation is ongoing (Case No. 2017CA2373).

Subsequent to year end, the Big Sky Metropolitan District No. 1 (“Big Sky”) and the Green Mountain Water and Sanitation District (“Green Mountain”) filed a declaratory judgment lawsuit against the Service District in the District Court for Jefferson County, Colorado (Case No. 2017CV31368). In the lawsuit, Big Sky and Green Mountain ask the Court to interpret certain provisions of a contract between Green Mountain and the Service District that require Big Sky to reimburse the Service District for the costs it incurred in oversizing the Fossil Ridge Sewer System that it constructed. The case was originally scheduled for trial in April, 2018; however, the parties are requesting that the trial be rescheduled in order to allow them additional time to determine if a mutually acceptable resolution can be achieved.

SUPPLEMENTAL INFORMATION

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 1

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
DEBT SERVICE FUND

For the Year Ended December 31, 2016

	Original & Final		Variance
	<u>Budget</u>	<u>Actual</u>	Favorable <u>(Unfavorable)</u>
REVENUES			
Transfer from District No. 2	\$ 405,194	\$ 407,286	\$ 2,092
Transfer from District No. 3	532,584	532,494	(90)
Interest income	<u>137</u>	<u>265</u>	<u>128</u>
 Total Revenues	 <u>937,915</u>	 <u>940,045</u>	 <u>2,130</u>
 EXPENDITURES			
Bond principal - 2010 bonds	55,000	55,000	-
Bond interest - 2010 bonds	597,762	597,762	-
Trustee/paying agent fees	5,000	2,500	2,500
Miscellaneous expense	<u>2,238</u>	<u>-</u>	<u>2,238</u>
Total Expenditures	<u>660,000</u>	<u>655,262</u>	<u>4,738</u>
 NET CHANGE IN FUND BALANCE	 277,915	 284,783	 6,868
 FUND BALANCE:			
BEGINNING OF YEAR	<u>1,471,085</u>	<u>1,490,798</u>	<u>19,713</u>
 END OF YEAR	 <u>\$ 1,749,000</u>	 <u>\$ 1,775,581</u>	 <u>\$ 26,581</u>

The notes to the financial statements are an integral part of these statements.

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 1

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - CAPITAL PROJECTS FUND For the Year Ended December 31, 2016

	Original & Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES			
System development fees	\$ 315,000	\$ 557,550	\$ 242,550
Storm drainage fees	75,000	132,750	57,750
Sewer fees	19,575	37,062	17,487
Conservation trust fund	-	3,718	3,718
Transfer from District No. 2	12,726,065	12,591,883	(134,182)
Interest income	<u>-</u>	<u>1,451</u>	<u>1,451</u>
Total Revenues	<u>13,135,640</u>	<u>13,324,414</u>	<u>188,774</u>
EXPENDITURES			
Accounting and audit	16,000	24,789	(8,789)
Legal	40,000	79,939	(39,939)
Miscellaneous	4,000	12,541	(8,541)
Capital improvements	5,940,000	5,296,957	643,043
Repay developer principal	4,726,065	4,583,463	142,602
Repay developer interest	<u>8,000,000</u>	<u>8,008,420</u>	<u>(8,420)</u>
Total Expenditures	<u>18,726,065</u>	<u>18,006,109</u>	<u>719,956</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(5,590,425)	(4,681,695)	908,730
OTHER FINANCING SOURCES (USES)			
Developer advances	5,690,425	4,595,497	(1,094,928)
Transfer to General fund	<u>(100,000)</u>	<u>-</u>	<u>100,000</u>
Total Other Financing Sources (Uses)	<u>5,590,425</u>	<u>4,595,497</u>	<u>(994,928)</u>
NET CHANGE IN FUND BALANCE	-	(86,198)	(86,198)
FUND BALANCE:			
BEGINNING OF YEAR	<u>-</u>	<u>86,198</u>	<u>86,198</u>
END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of these statements.

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 1

SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY

December 31, 2016

\$8,350,000 Tax-Supported Revenue Bonds

Series 2010

Interest Rate 7.25%

Payable June 1 and December 1

Principal Due December 1

<u>Year Ended</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 65,000	\$ 593,775	\$ 658,775
2018	75,000	589,063	664,063
2019	90,000	583,625	673,625
2020	100,000	577,100	677,100
2021	115,000	569,850	684,850
2022	130,000	561,512	691,512
2023	145,000	552,088	697,088
2024	165,000	541,575	706,575
2025	185,000	529,612	714,612
2026	205,000	516,200	721,200
2027	225,000	501,338	726,338
2028	250,000	485,025	735,025
2029	275,000	466,900	741,900
2030	300,000	446,962	746,962
2031	330,000	425,213	755,213
2032	360,000	401,287	761,287
2033	395,000	375,188	770,188
2034	435,000	346,550	781,550
2035	470,000	315,012	785,012
2036	515,000	280,938	795,938
2037	560,000	243,600	803,600
2038	605,000	203,000	808,000
2039	660,000	159,137	819,137
2040	<u>1,535,000</u>	<u>111,287</u>	<u>1,646,287</u>
	<u>\$ 8,190,000</u>	<u>\$ 10,375,837</u>	<u>\$ 18,565,837</u>