

ACC METROPOLITAN DISTRICT

Financial Statements

Year Ended December 31, 2017

with

Independent Auditors' Report

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Office of the State Auditor

July 30, 2018

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Board of Directors
ACC Metropolitan District
Adams County, Colorado

Independent Auditors' Report

We have audited the accompanying financial statements of the governmental activities and each major fund of the ACC Metropolitan District, as of and for the year ended December 31, 2017, 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 District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the ACC Metropolitan District as of December 31, 2017, and the respective changes in financial position and the respective 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 opinions on the financial statements that collectively comprise ACC Metropolitan District's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Simmons & Wheeler P.C.

Englewood, CO
July 9, 2018

ACC METROPOLITAN DISTRICT

BALANCE SHEET/STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
December 31, 2017

	<u>General</u>	<u>Debt Service</u>	<u>Capital Project</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS						
Cash and investments	\$ 103	\$ -	\$ -	\$ 103	\$ -	\$ 103
Cash and investments - restricted	2,017	481,545	10,787	494,349	-	494,349
Receivable - county treasurer	253	1,306	-	1,559	-	1,559
Property taxes receivable	35,665	184,268	-	219,933	-	219,933
Prepaid expenses	2,731	-	-	2,731	-	2,731
Capital assets, not being depreciated	-	-	-	-	140,217	140,217
Total Assets	<u>\$ 40,769</u>	<u>\$ 667,119</u>	<u>\$ 10,787</u>	<u>\$ 718,675</u>	<u>140,217</u>	<u>858,892</u>
LIABILITIES						
Accounts payable	\$ 2,209	\$ 5,286	\$ 6,041	\$ 13,536	-	13,536
Payroll taxes payable	92	-	-	92	-	92
Accrued notes interest	-	-	-	-	6,914	6,914
Long-term liabilities - due in more than one year						
Due within one year	-	-	-	-	1,865,000	1,865,000
Developer advances payable	-	-	-	-	1,632,845	1,632,845
Developer advances interest payable	-	-	-	-	319,735	319,735
Total Liabilities	<u>2,301</u>	<u>5,286</u>	<u>6,041</u>	<u>13,628</u>	<u>3,824,494</u>	<u>3,838,122</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred property taxes	<u>35,665</u>	<u>184,268</u>	<u>-</u>	<u>219,933</u>	<u>-</u>	<u>219,933</u>
Total Deferred Inflows of Resources	<u>35,665</u>	<u>184,268</u>	<u>-</u>	<u>219,933</u>	<u>-</u>	<u>219,933</u>
FUND BALANCES/NET POSITION						
Fund Balances:						
Nonspendable:						
Prepays	2,731	-	-	2,731	(2,731)	-
Restricted:						
Emergencies	2,017	-	-	2,017	(2,017)	-
Debt service	-	477,565	-	477,565	(477,565)	-
Capital projects	-	-	4,746	4,746	(4,746)	-
Unassigned	<u>(1,945)</u>	<u>-</u>	<u>-</u>	<u>(1,945)</u>	<u>1,945</u>	<u>-</u>
Total Fund Balances	<u>2,803</u>	<u>477,565</u>	<u>4,746</u>	<u>485,114</u>	<u>(485,114)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 40,769</u>	<u>\$ 667,119</u>	<u>\$ 10,787</u>	<u>\$ 718,675</u>		
Net Position:						
Net investment in capital assets					(3,677,363)	(3,677,363)
Restricted for:						
Emergencies					2,017	2,017
Debt service					470,651	470,651
Capital projects					4,746	4,746
Unrestricted					<u>786</u>	<u>786</u>
Total Net Position					<u>\$ (3,199,163)</u>	<u>\$ (3,199,163)</u>

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

ACC METROPOLITAN DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES GOVERNMENTAL FUNDS

For the Year Ended December 31, 2017

	<u>General</u>	<u>Debt Service</u>	<u>Capital Project</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
EXPENDITURES						
Accounting	\$ 11,151	\$ -	\$ -	\$ 11,151	\$ -	\$ 11,151
District Management	18,377	-	-	18,377	-	18,377
Audit	3,856	-	-	3,856	-	3,856
Directors' fees	600	-	-	600	-	600
Insurance	3,171	-	-	3,171	-	3,171
Legal	14,603	-	3,390	17,993	-	17,993
Engineering	-	-	140,217	140,217	(140,217)	-
Miscellaneous expenses	169	-	-	169	-	169
Payroll taxes	46	-	-	46	-	46
Treasurer's fees	483	2,495	-	2,978	-	2,978
Note interest	-	83,820	-	83,820	(149)	83,671
Note Principal	-	40,000	-	40,000	(40,000)	-
ARTA-1 Mill Levy	-	5,286	-	5,286	-	5,286
Developer advance interest	-	-	-	-	93,230	93,230
Total Expenditures	<u>52,456</u>	<u>131,601</u>	<u>143,607</u>	<u>327,664</u>	<u>(87,136)</u>	<u>240,528</u>
GENERAL REVENUES						
Property taxes	32,198	160,990	-	193,188	-	193,188
Specific ownership taxes	3,108	16,060	-	19,168	-	19,168
Interest income	78	623	19	720	-	720
ARI Revenue	-	5,366	-	5,366	-	5,366
Total General Revenues	<u>35,384</u>	<u>183,039</u>	<u>19</u>	<u>218,442</u>	<u>-</u>	<u>218,442</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES						
	(17,072)	51,438	(143,588)	(109,222)	109,222	-
OTHER FINANCING SOURCES (USES)						
Developer Advance	8,000	-	81,000	89,000	(89,000)	-
Transfer from (to) other funds	(65,000)	-	65,000	-	-	-
Total Other Financing Sources (Uses)	<u>(57,000)</u>	<u>-</u>	<u>146,000</u>	<u>89,000</u>	<u>(89,000)</u>	<u>-</u>
NET CHANGES IN FUND BALANCE						
	(74,072)	51,438	2,412	(20,222)	20,222	-
CHANGE IN NET POSITION						
					(22,086)	(22,086)
FUND BALANCE/NET POSITION						
BEGINNING OF YEAR	76,875	426,127	2,334	505,336	(3,682,413)	(3,177,077)
END OF YEAR	<u>\$ 2,803</u>	<u>\$ 477,565</u>	<u>\$ 4,746</u>	<u>\$ 485,114</u>	<u>\$ (3,684,277)</u>	<u>\$ (3,199,163)</u>

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

ACC METROPOLITAN DISTRICT

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

For the Year Ended December 31, 2017

	Original & Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES			
Property taxes	\$ 32,198	\$ 32,198	\$ -
Specific ownership taxes	2,830	3,108	278
Interest income	<u>57</u>	<u>78</u>	<u>21</u>
Total Revenues	<u>35,085</u>	<u>35,384</u>	<u>299</u>
EXPENDITURES			
Accounting	10,000	11,151	(1,151)
District Management	10,000	18,377	(8,377)
Audit	5,000	3,856	1,144
Directors' fees	1,200	600	600
Insurance	3,400	3,171	229
Legal	10,500	14,603	(4,103)
Miscellaneous expenses	1,500	169	1,331
Payroll taxes	92	46	46
Treasurer's fees	483	483	-
Emergency reserve	<u>1,052</u>	<u>-</u>	<u>1,052</u>
Total Expenditures	<u>43,227</u>	<u>52,456</u>	<u>(9,229)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(8,142)	(17,072)	(8,930)
OTHER FINANCING SOURCES (USES)			
Developer Advance	-	8,000	8,000
Transfer from (to) other funds	<u>-</u>	<u>(65,000)</u>	<u>(65,000)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>(57,000)</u>	<u>(57,000)</u>
NET CHANGES IN FUND BALANCE	(8,142)	(74,072)	(65,930)
FUND BALANCE:			
BEGINNING OF YEAR	<u>11,013</u>	<u>76,875</u>	<u>65,862</u>
END OF YEAR	<u>\$ 2,871</u>	<u>\$ 2,803</u>	<u>\$ (68)</u>

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

ACC METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2017

Note 1: Summary of Significant Accounting Policies

The accounting policies of the ACC Metropolitan District, located in Adams 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 on November 12, 2003, as a quasi-municipal organization established under the State of Colorado Special District Act. A First Amended and Restated Service Plan was approved by the City of Aurora on August 22, 2011. The District’s service area is located in Adams County, Colorado. The District was established to finance and construct streets, water systems, sanitary sewer, parks and recreation, and other public infrastructure improvements that benefit the citizens of the District. The District's primary revenues are property taxes. 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, Statement No. 61, *The Financial Reporting Entity: Omnibus, which amended* GASB Statement No. 14, *The Financial Reporting Entity* and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, which provides 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.

ACC METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2017

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.

ACC METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2017

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

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, Deferred Inflows/Inflows of Resources 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, 2017, 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.

ACC METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2017

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.

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 only has one item that qualifies for reporting in this category. It is the deferred property taxes. Deferred property taxes are deferred and recognized as an inflow of resources in the period that the amounts become available.

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. The District had no capital assets as of December 31, 2017.

ACC METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2017

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.

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 \$2,731 represents prepaid expenditures.

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 \$2,017 of the General Fund balance has been restricted in compliance with this requirement.

ACC METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2017

The restricted fund balance in the Debt Service Fund in the amount of \$477,565 is restricted for the payment of the costs associated with the Series 2013 Notes (See Note 4).

The restricted fund balance in the Capital Projects Fund in the amount of \$4,746 is restricted for the payment of the costs for capital improvements within the District.

Committed Fund Balance

Committed fund balance includes amounts 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

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.

The assigned fund balance in the General Fund represents the amount appropriated for use in the budget for the year ending December 31, 2018.

Unassigned Fund Balance

Unassigned fund balance includes amounts that are available for any purpose. Positive amounts are reported only in the General Fund, all other funds can report negative amounts.

For the classification of Governmental Fund balances, the District considers an expenditure to be made from the most restrictive first when more than one classification is available.

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 of resources related to those assets.

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.

ACC METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2017

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, 2017, cash and investments are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and investments	\$ 103
Cash and investments – Restricted	<u>494,349</u>
Total	<u>\$ 494,452</u>

Cash and investments as of December 31, 2017 consist of the following:

Deposits with financial institutions	\$ 492,074
Investments - COLOTRUST	<u>2,378</u>
	<u>\$ 494,452</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. As of December 31, 2017, none of the District’s deposits were exposed to custodial credit risk.

ACC METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2017

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's investment, is not required to be categorized within the fair value hierarchy. This investment's value is calculated using the net asset value (NAV) per share.

Credit Risk

The District's investment policy requires that the District follow state statutes for 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.

ACC METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2017

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. 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. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. 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, 2017, the District had \$2,378 invested in COLOTRUST.

Note 3: Capital Assets

An analysis of the changes in capital assets for the year ended December 31, 2017 follows:

<u>Governmental Type Activities:</u>	<u>Balance 1/1/2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/17</u>
<u>Capital assets not being depreciated:</u>				
Construction in progress	\$ -	\$ 140,217	\$ -	\$ 140,217

ACC METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2017

Note 4: Long Term Debt

The following is an analysis of changes in long-term debt for the period ending December 31, 2017:

	<u>Balance</u> 1/1/17	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> 12/31/17	<u>Current</u> <u>Portion</u>
Series 2013 Notes	\$ 1,905,000	\$ -	\$ 40,000	\$ 1,865,000	\$ 1,865,000
Developer Advances (Facilities Funding):					
Capital - principal	1,543,845	81,000	-	1,624,845	-
Capital - interest	226,504	93,201	-	319,705	-
Operation Funding Agreement					
General - principal	-	8,000	-	8,000	-
Capital - interest	-	30	-	30	-
Total	<u>\$ 3,675,349</u>	<u>\$ 182,231</u>	<u>\$ 40,000</u>	<u>\$ 3,817,580</u>	<u>\$ 1,865,000</u>

A description of the District's long-term obligations as of December 31, 2017, is as follows:

Facilities Funding

The District has entered into a Facilities Funding and Acquisition Agreement as amended ("Funding Agreement") with Aurora Partners, LLC ("Developer") on January 1, 2004, whereby the Developer agrees to provide up to \$12,200,000 to the District in order for the District to undertake the design, testing, engineering, acquisition, construction, related consultant fees and construction management of its infrastructure improvements. The advances will bear simple interest which will accrue from the date of the deposit at the rate of 7.4% for 2004, which rate is to be adjusted annually each January 1 to be 300 basis points above the 20-year AAA Municipal Market Data rate. The term of the agreement shall extend through December 31, 2024, unless terminated earlier by mutual agreement of the Parties.

On June 23, 2006, the District approved an Assignment and Amendment to the Funding Agreement which assigned the obligations to advance funds as well as all claims for reimbursement related to the Funding Agreement to Denver Venture I, LLC.

As of December 31, 2017, advances totaling \$2,680,894 have been made under the Funding Agreement.

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Notes to Financial Statements December 31, 2017

Operation Funding Agreement

The District has entered into an Operation Funding Agreement ("OFA") with Denver Venture I, LLC ("DVI") on August 15, 2017, with an effective date of January 1, 2017, whereby DVI agrees to advance funds necessary to fund, or will directly pay, the District's operations and maintenance expenses on a periodic basis, as needed for the fiscal year 2017 up to an aggregate amount of \$50,000. Simple interest will accrue from the date of direct payment by DVI, until paid, at the rate of 8% per annum. The OFA evidences the District's intent to reimburse DVI, however, the OFA does not constitute a debt or indebtedness of the District within the meaning of any constitutional or statutory provision, nor does it constitute a multiple fiscal year financial obligation. The making of any reimbursement to DVI is subject to annual appropriation by the District in its absolute discretion. As of December 31, 2017, advances totaling \$8,000 have been made under the OFA.

Taxable/Tax-Exempt General Obligation Limited Tax Notes, Series 2013

On July 15, 2013, the District issued Taxable/Tax-Exempt General Obligation Limited Tax Notes – Series 2013 ("Notes") in the amount of \$1,980,000. The Notes were issued for the purpose of (i) paying amounts due under the Funding Agreement; (ii) funding capitalized interest and reserves to the extent provided by the sale certificate; and (iii) paying issuance and other costs in connection with the Notes. The Notes are secured by pledged revenue which includes ad valorem taxes, specific ownership taxes, and any legally available moneys which the board of directors determines to apply to the pledged revenue the Notes mature on July 15, 2018 (see Note 8).

The Notes require that a Reserve Fund be established and funded per the sales certificate. The Reserve Fund was initially funded with \$160,651 from the proceeds from the Notes.

The Notes were initially issued bearing taxable interest. Upon the issuance of a Tax-Exempt Reissuance Opinion the Notes can be reissued bearing tax-exempt interest. As of December 31, 2017 the Notes continue to bear interest at the taxable rate.

Prior to the issuance of a Tax-Exempt Reissuance Opinion and depending on whether a Payment or Reserve Default has occurred, the Notes bear interest at 4.40% or 8.40%. A Payment Default means a failure by the District to pay principal or interest when due. A Reserve Default means a failure to maintain the Reserve Fund in the amount not less than the required reserve of \$160,651 for 12 months provided that if the District has imposed the maximum Required Mill Levy and properly applied the proceeds thereof, but the amount produced thereby is still insufficient to replenish the Reserve Fund to the Required Reserve in accordance with the Note Resolution, there shall be no Reserve Default notwithstanding that the amount of the Reserve Fund is less than the Required Reserve for at least 12 months. After the issuance of a Tax-Exempt Reissuance Opinion, the Tax Exempt Rate will be a rate per annum which is 300 basis points over the mid-market LIBOR swap rate from the LIBOR swap curve corresponding to the remaining amortization and maturity date of the Notes multiplied by 0.70.

ACC METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2017

The Notes are subject to optional redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$1,000, on any date upon payment of par and accrued interest, without redemption premium.

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	<u>1,865,000</u>	<u>51,515</u>	<u>1,916,515</u>
Total	<u>\$ 1,865,000</u>	<u>\$ 51,515</u>	<u>\$ 1,916,515</u>

Debt Authorization

As of December 31, 2017, the District had voted authorized but unissued indebtedness of \$189,230,000. The District has not budgeted to issue any debt during 2018.

Note 5: 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.

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

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Notes to Financial Statements December 31, 2017

Note 6: 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 7: Interfund and Operating Transfers

The transfer of \$65,000 from the General Fund to the Capital Fund was transferred for the purpose of funding engineering expenses.

Note 8: Subsequent Event

On June 14, 2018 the District entered into the 2018 Amending Resolution which modified numerous terms of the original loan agreement, as amended, and the significant modifications are as follows: 1) the maturity of the Series 2013 Notes shall be extended to July 15, 2019, 2) there shall be a mandatory sinking fund redemption payment due in connection with the Series 2013 Notes in the amount of \$40,000, due on December 1, 2018, 3) the definition of "Tax-Exempt Reissuance Opinion" shall be defined as an opinion of Bond Counsel to the effect that on and after the Tax-Exempt Reissuance Date the interest on the Series 2013 Notes reissued after such date will be excluded from the gross income of the recipients for federal income tax purposes 4) the Series 2013 Notes shall not be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code, 5) the definition of "Tax-Exempt Rate" shall be defined as a rate per annum which is 265 basis points over the five year LIBOR swap rate multiplied by 0.83.

ACC METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2017

Note 9: 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 notes payable, developer advances payable, accrued developer advance interest and accrued notes interest payable are not due and payable in the current period and, therefore, are not in the funds.

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 process 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 on the Statement of Activities;
- 3) governmental funds report developer advances and/or bond proceeds as revenue; and,
- 4) governmental funds report long-term debt payments as expenditures, however, in the statement of activities, the payment of long-term debt is recorded as a decrease of long-term liabilities.

SUPPLEMENTAL INFORMATION

ACC METROPOLITAN DISTRICT

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

For the Year Ended December 31, 2017

	Original & Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES			
Property taxes	\$ 160,990	\$ 160,990	\$ -
Specific ownership taxes	14,600	16,060	1,460
ARI Revenue	5,366	5,366	-
Interest income	<u>720</u>	<u>623</u>	<u>(97)</u>
Total Revenues	<u>181,676</u>	<u>183,039</u>	<u>1,363</u>
EXPENDITURES			
Note interest	\$ 84,984	\$ 83,820	\$ 1,164
Note Principal	40,000	40,000	-
Paying agent fees	300	-	300
ARTA-1 Mill Levy	5,286	5,286	-
Treasurer's fees	2,495	2,495	-
Contingency	<u>500</u>	<u>-</u>	<u>500</u>
Total Expenditures	<u>133,565</u>	<u>131,601</u>	<u>1,964</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	48,111	51,438	3,327
FUND BALANCE:			
BEGINNING OF YEAR	<u>425,254</u>	<u>426,127</u>	<u>873</u>
END OF YEAR	<u>\$ 473,365</u>	<u>\$ 477,565</u>	<u>\$ 4,200</u>

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

ACC METROPOLITAN DISTRICT

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

For the Year Ended December 31, 2017

	Original and Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES			
Interest income	\$ 3	\$ 19	\$ 16
Total Revenues	<u>3</u>	<u>19</u>	<u>16</u>
EXPENDITURES			
Legal	50,000	3,390	46,610
Engineering	20,000	140,217	(120,217)
Contingency	<u>2,338</u>	<u>-</u>	<u>2,338</u>
Total Expenditures	<u>72,338</u>	<u>143,607</u>	<u>(71,269)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(72,335)	(143,588)	(71,253)
OTHER FINANCING SOURCES (USES)			
Developer Advance	-	81,000	81,000
Transfer from (to) other funds	<u>-</u>	<u>65,000</u>	<u>65,000</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>146,000</u>	<u>146,000</u>
NET CHANGES IN FUND BALANCE	(72,335)	2,412	74,747
FUND BALANCE:			
BEGINNING OF YEAR	<u>72,335</u>	<u>2,334</u>	<u>(70,001)</u>
END OF YEAR	<u>\$ -</u>	<u>\$ 4,746</u>	<u>\$ 4,746</u>

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