

AMBER CREEK METROPOLITAN DISTRICT
Adams County, Colorado

FINANCIAL STATEMENTS
December 31, 2017

E

RECEIVED

Office of the State Auditor

July 13, 2018

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	1
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements:	
Statement of Net Position	1
Statement of Activities	2
Fund Financial Statements:	
Balance Sheet - Governmental Funds	3
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	4
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	5
General Fund - Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual.....	6
Notes to Financial Statements.....	7
SUPPLEMENTARY INFORMATION	26
Debt Service Fund - Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual.....	27
Capital Projects Fund - Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual.....	28
Schedule of Debt Service Requirements to Maturity	29
Schedule of Assessed Valuation, Mill Levy and Property Taxes Collected.....	30

Independent Auditor's Report

Board of Directors
Amber Creek Metropolitan District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Amber Creek Metropolitan District as of and for the year ended December 31, 2017, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the District.

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

Our audit was conducted for the purpose of forming an opinion 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.
July 8, 2018

BASIC FINANCIAL STATEMENTS

AMBER CREEK METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
December 31, 2017

	Governmental Activities
ASSETS	
Cash and investments	\$ 20,229
Cash and investments - Restricted	13,537,225
Receivable - County Treasurer	441
Accounts receivable	6,895
Property taxes receivable	320,441
Capital assets, not being depreciated	5,046,846
Total assets	18,932,077
LIABILITIES	
Accounts payable	35,092
Deferred revenue	8,337
Facilities fees payable	11,000
Accrued bond interest payable	63,865
Noncurrent liabilities	
Due in more than one year	19,351,537
Total liabilities	19,469,831
DEFERRED INFLOWS OF RESOURCES	
Property tax revenue	320,441
Total deferred inflows of resources	320,441
NET POSITION	
Restricted for:	
Emergency reserves	5,800
Debt service	2,433
Unrestricted	(866,428)
Total net position	\$ (858,195)

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

**AMBER CREEK METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
Year Ended December 31, 2017**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Primary government:					
Governmental activities:					
General government	\$ 189,748	\$ 113,797	\$ -	\$ -	\$ (75,951)
Interest and related costs on long-term debt	821,418	-	-	-	(821,418)
	<u>\$ 1,011,166</u>	<u>\$ 113,797</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(897,369)</u>
General revenues:					
Property taxes					56,234
Specific ownership taxes					5,276
Net investment income					27,671
Other revenue					21,150
Total general revenues					<u>110,331</u>
Change in net position					(787,038)
Net position - Beginning					(71,157)
Net position - Ending					<u>\$ (858,195)</u>

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

**AMBER CREEK METROPOLITAN DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2017**

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and investments	\$ 20,229	\$ -	\$ -	\$ 20,229
Cash and investments - Restricted	129,878	2,540,124	10,867,223	13,537,225
Receivable from County Treasurer	441	-	-	441
Accounts receivable	6,895	-	-	6,895
Property taxes receivable	81,887	238,554	-	320,441
Due from other funds	5,567	-	-	5,567
Total assets	<u>\$ 244,897</u>	<u>\$ 2,778,678</u>	<u>\$ 10,867,223</u>	<u>\$ 13,890,798</u>
LIABILITIES				
Accounts payable	\$ 21,696	\$ -	\$ 13,396	\$ 35,092
Deferred revenue	8,337	-	-	8,337
Facilities fees payable	-	-	11,000	11,000
Due to other funds	-	-	5,567	5,567
Total liabilities	<u>30,033</u>	<u>-</u>	<u>29,963</u>	<u>59,996</u>
DEFERRED INFLOWS OF RESOURCES				
Property tax revenue	81,887	238,554	-	320,441
Total deferred inflows of resources	<u>81,887</u>	<u>238,554</u>	<u>-</u>	<u>320,441</u>
FUND BALANCES				
Restricted for:				
Emergencies (TABOR)	5,800	-	-	5,800
Debt service - Series 2016 Bonds	-	2,540,124	-	2,540,124
Capital Projects	-	-	10,837,260	10,837,260
Committed:				
Design review/covenant enforcement/maintenance	124,078	-	-	124,078
Unassigned:				
General government	3,099	-	-	3,099
Total fund balances	<u>132,977</u>	<u>2,540,124</u>	<u>10,837,260</u>	<u>13,510,361</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 244,897</u>	<u>\$ 2,778,678</u>	<u>\$ 10,867,223</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the funds.

Capital assets, net 5,046,846

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

Bonds payable (18,902,000)

Accrued bond interest payable (121,498)

Developer advances (320,224)

Accrued interest on developer advances (71,680)

Net position of governmental activities \$ (858,195)

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

AMBER CREEK METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended December 31, 2017

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
REVENUES				
Property taxes	\$ 52,134	\$ 4,100	\$ -	\$ 56,234
Specific ownership tax	5,276	-	-	5,276
Administrative fees	21,150	-	-	21,150
Design review/covenant enforcement/maintenance	113,797	-	-	113,797
Net investment income	960	5,193	21,518	27,671
Total revenues	<u>193,317</u>	<u>9,293</u>	<u>21,518</u>	<u>224,128</u>
EXPENDITURES				
Accounting	32,806	-	34,163	66,969
Billing/administrative costs	8,405	-	-	8,405
County Treasurer's fee	796	58	-	854
Design review/covemant enforcement	3,124	-	-	3,124
District management	13,816	-	-	13,816
Dues and licenses	362	-	-	362
Insurance and bonds	1,070	-	-	1,070
Legal	25,641	-	36,993	62,634
Miscellaneous	1,154	-	-	1,154
Utilities	184	-	-	184
Debt service				
Interest expense - Bonds	-	65,994	-	65,994
Capital				
Bond issue costs	-	-	581,242	581,242
Engineering/consulting	-	-	31,234	31,234
Capital improvements	-	-	3,970,764	3,970,764
Total expenditures	<u>87,358</u>	<u>66,052</u>	<u>4,654,396</u>	<u>4,807,806</u>
EXCESS OF REVENUES OVER (UNDER)				
EXPENDITURES	<u>105,959</u>	<u>(56,759)</u>	<u>(4,632,878)</u>	<u>(4,583,678)</u>
OTHER FINANCING SOURCES (USES)				
Bond proceeds	-	-	18,902,000	18,902,000
Developer advances	20,021	-	27,969	47,990
Repay developer advance - principal	-	(500,000)	(59,106)	(559,106)
Repay developer advance - interest	-	(248,739)	(57,847)	(306,586)
Transfers from (to) other funds	-	3,342,878	(3,342,878)	-
Total other financing sources (uses)	<u>20,021</u>	<u>2,594,139</u>	<u>15,470,138</u>	<u>18,084,298</u>
NET CHANGE IN FUNDS BALANCES	125,980	2,537,380	10,837,260	13,500,620
FUND BALANCES -				
BEGINNING OF YEAR	<u>6,997</u>	<u>2,744</u>	<u>-</u>	<u>9,741</u>
FUND BALANCES - END OF YEAR	<u>\$ 132,977</u>	<u>\$ 2,540,124</u>	<u>\$ 10,837,260</u>	<u>\$ 13,510,361</u>

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

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

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

Net changes in fund balances - Total governmental funds	\$ 13,500,620
---	---------------

Governmental funds report capital outlays as expenditures. In the statement of activities, capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense the allocation of the cost of any depreciable asset over the estimated useful life of the asset. Therefore, this is the net capital outlay activity for the year:

Capital improvements	3,970,764
----------------------	-----------

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The net effect of these differences in the treatment of long-term debt is as follows:

Bond issuance	(18,902,000)
Developer advances	(47,990)
Developer advance- principal repayment	559,106

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

Accrued interest on bonds - Change in liability	(121,498)
Accrued interest on developer advances - Change in liability	253,960

Change in net position of governmental activities	\$ (787,038)
---	--------------

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

**AMBER CREEK METROPOLITAN DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2017**

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Property taxes	\$ 52,133	\$ 52,134	\$ 1
Specific ownership tax	4,500	5,276	776
Administrative fees	10,000	21,150	11,150
Design review/covenant enforcement/maintenance	34,500	113,797	79,297
Net investment income	50	960	910
Total revenues	<u>101,183</u>	<u>193,317</u>	<u>92,134</u>
EXPENDITURES			
Accounting	20,000	32,806	(12,806)
Billing/administrative costs	10,000	8,405	1,595
Contingency	7,707	-	7,707
County Treasurer's fee	843	796	47
Design review/covenant enforcement	10,000	3,124	6,876
District management	14,000	13,816	184
Dues and licenses	450	362	88
Insurance and bonds	3,000	1,070	1,930
Landscape maintenance	10,000	-	10,000
Legal	35,000	25,641	9,359
Miscellaneous	1,000	1,154	(154)
Utilities	3,000	184	2,816
Total expenditures	<u>115,000</u>	<u>87,358</u>	<u>27,642</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(13,817)</u>	<u>105,959</u>	<u>119,776</u>
OTHER FINANCING SOURCES (USES)			
Developer advances	<u>13,000</u>	<u>20,021</u>	<u>7,021</u>
Total other financing sources (uses)	<u>13,000</u>	<u>20,021</u>	<u>7,021</u>
NET CHANGE IN FUNDS BALANCES	(817)	125,980	126,797
FUND BALANCES -			
BEGINNING OF YEAR	<u>5,974</u>	<u>6,997</u>	<u>1,023</u>
FUND BALANCES - END OF YEAR	<u>\$ 5,157</u>	<u>\$ 132,977</u>	<u>\$ 127,820</u>

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

**AMBER CREEK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017**

NOTE 1 - DEFINITION OF REPORTING ENTITY

Amber Creek Metropolitan District (the District), a quasi-municipal corporation and political subdivision of the State of Colorado, was organized by order and decree of the District Court for Adams County on November 28, 2005, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District's service area is located in Adams County, Colorado, entirely within the City of Thornton (the City). The District operates under a Service Plan approved by the City on August 9, 2005, which was amended in May 2014, February 2016, and August 2017. The property within the District is zoned for residential and commercial development. The District was established to provide financing for the construction and installation of street improvements, water, sanitary and storm sewer, public transportation, mosquito control, television relay, and park and recreation improvements, and for the perpetual maintenance of street landscaping and lighting in its service area. Upon completion of construction of these improvements, the District may dedicate them, when appropriate, to the City or to such other entity as appropriate for the use and benefit of the District's taxpayers.

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Government-wide and Fund Financial Statements

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

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

**AMBER CREEK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is 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.

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major source of revenue subject to accrual are property and specific ownership taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is due.

The District reports the following major governmental funds:

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

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

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

**AMBER CREEK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

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

The District amended its annual budget for the year ended December 31, 2017.

Pooled Cash and Investments

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

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

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

Homeowner Fees/Administrative Fees

The District imposes a monthly fee to homeowners in the District to cover the costs of covenant enforcement/design review and maintenance of common areas. Each single family household pays \$55 per month to the District and each residential lot pays \$15 per month to the District. The District also charges a one-time administrative fee in the amount of \$250 for the creation and set-up of an account and for the property transfer account adjustment.

AMBER CREEK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Facilities Fees

On September 14, 2006, and as amended on August 25, 2011, the District adopted a resolution imposing facilities fees on property within the District. A facilities fee of \$900 per multi-family residential unit and \$1,000 per single-family residential unit is due to the District upon sale to a purchaser for occupancy or lease. The commercial fee is \$1.25 per developed square foot, due upon the issuance of a building permit. In addition to the facilities fees, an administrative charge of \$50 is to be paid and collected at the same time that the facilities fee comes due and payable.

In prior years, the District funded certain capital infrastructure by the issuance of prepaid facilities fees to the Prior Developer in the amount of \$597,563. The Prior Developer has subsequently assigned payment of the facilities fees to other entities (see Developer Agreements in Note 5 below). Upon payment of a facilities fee to the District, the facilities fee will be remitted to the other entities. Facilities fees received in excess of \$597,563 will be retained by the District and will be pledged to the payment of debt service.

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 or business-type 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. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Capital assets which are anticipated to be conveyed to other governmental entities are recorded as construction in progress, and are not included in the calculation of net investment in capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset 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.

Deferred Inflow of Resources

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Accordingly, the item, *deferred property tax revenue*, is deferred and recognized as an inflow of resources in the period that the amount becomes available.

AMBER CREEK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity

Net Position

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

Fund Balance

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

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

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

**AMBER CREEK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017**

NOTE 3 - CASH AND INVESTMENTS

Cash and investments as of December 31, 2017, are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and investments	\$ 20,229
Cash and investments – Restricted	<u>13,537,225</u>
Total cash and investments	<u>\$ 13,557,454</u>

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

Deposits with financial institutions	\$ 136,106
Investments	<u>13,421,348</u>
Total cash and investments	<u>\$ 13,557,454</u>

Deposits with Financial Institutions

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

The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2017, the District's cash deposits had a bank balance and a carrying balance of \$136,106.

Investments

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

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

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

**AMBER CREEK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017**

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

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

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

As of December 31, 2017, the District had the following investments:

Investment	Maturity	Amount
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted average under 60 days	\$ 25,001
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted average under 60 days	<u>13,396,347</u>
		<u>\$ 13,421,348</u>

CSAFE

The District invested in the Colorado Surplus Asset Fund Trust (CSAFE) (the Trust), which is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust is similar to a money market fund, with each share valued at \$1.00. CSAFE may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain money market funds and highest rated commercial paper. A designated custodial bank serves as custodian for CSAFE's portfolio pursuant to a custodian agreement. The custodian acts as safekeeping agent for CSAFE's investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal recordcaps segregate investments owned by CSAFE. CSAFE is rated AAAM by Standard & Poor's. CSAFE records its investments at amortized cost and the District records its investments in CSAFE using the amortized cost method. There are no unfunded commitments, the redemption frequency is daily, and there is no redemption period notice.

**AMBER CREEK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017**

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

COLOTRUST

The District invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the Trust), an investment vehicle 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 Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities 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 any security allowed under CRS 24-75-601. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. COLOTRUST is rated AAAM by Standard & Poor's. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

NOTE 4 - CAPITAL ASSETS

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

	Balance at December 31, 2016	Additions	Retirements	Balance at December 31, 2017
Capital assets, not being depreciated				
Construction in process	\$ 1,076,082	\$ 3,970,764	\$ -	\$ 5,046,846
Total capital assets, not being depreciated	<u>1,076,082</u>	<u>3,970,764</u>	<u>-</u>	<u>5,046,846</u>
Governmental activities - Capital assets, net	<u>\$ 1,076,082</u>	<u>\$ 3,970,764</u>	<u>\$ -</u>	<u>\$ 5,046,846</u>

**AMBER CREEK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017**

NOTE 5 - LONG-TERM OBLIGATIONS

The following is an analysis of the changes in long-term obligations for the year ended December 31, 2017:

	<u>Balance at December 31, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at December 31, 2017</u>	<u>Due Within One Year</u>
General Obligation Bonds					
Series 2017A	\$ -	\$ 15,090,000	\$ -	\$ 15,090,000	\$ -
Series 2017B - Subordinate	-	2,060,000	-	2,060,000	-
Series 2017C - Junior Lien	-	1,752,000	-	1,752,000	-
Accrued interest -					
Subordinate/Junior Lien Bonds	-	57,633	-	57,633	-
Developer note	500,000	-	500,000	-	-
Accrued interest -					
Developer note	219,588	29,151	248,739	-	-
Developer advances	331,340	47,990	59,106	320,224	-
Accrued interest -					
Developer advances	106,053	23,474	57,847	71,680	-
	<u>\$ 1,156,981</u>	<u>\$ 19,060,248</u>	<u>\$ 865,692</u>	<u>\$ 19,351,537</u>	<u>\$ -</u>

General Obligation Bonds

The District issued \$15,090,000 Limited Tax (Convertible to Unlimited Tax) G.O. Refunding and Improvement Bonds, Series 2017A (the Senior Bonds), Subordinate Limited Tax G.O. Bonds, Series 2017B (the Subordinate Bonds), and Junior Lien Limited Tax G.O. Bonds, Series 2017C (the Junior Lien Bonds) (collectively, the 2017 Bonds) on October 31, 2017, in the respective amounts of \$15,090,000, \$2,060,000, and \$1,752,000. The proceeds from the sale of the Senior Bonds were used to: (i) finance or reimburse the costs of public improvements related to development within the District (including paying amounts outstanding under the 2010 Prior Amber Development Obligation); (ii) pay capitalized interest on the Senior Bonds; (iii) fund the Senior Reserve Fund; and, (iv) pay the costs of issuing the Senior Bonds. The proceeds from the sale of the Subordinate Bonds were used to: (i) finance or reimburse additional public improvements related to the development; and, (ii) pay other costs in connection with the issuance of the Subordinate Bonds. The proceeds from the sale of the Junior Lien Bonds were used to reimburse public improvements.

The Senior Bonds were issued as two term bonds that bear interest at 5.000% and 5.125%, and are payable semi-annually on June 1 and December 1, beginning on December 1, 2017. Annual mandatory sinking fund principal payments are due on December 1, beginning on December 1, 2021. The Senior Bonds mature on December 1, 2047. In the event any amounts due and owing on the Senior Bonds remain outstanding on December 1, 2057, such amounts shall be deemed discharged and shall no longer be due and outstanding.

AMBER CREEK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

The Subordinate Bonds were issued at the rate of 7.75% per annum and are payable annually on December 15, beginning December 15, 2017, from, and to the extent of, Subordinate Pledged Revenue available, if any, and mature on December 15, 2047. The Subordinate Bonds are structured as cash flow bonds meaning that there are no scheduled payments of principal or interest prior to the final maturity date. Unpaid interest on the Subordinate Bonds compounds annually on each December 15. In the event any amounts due and owing on the Subordinate Bonds remain outstanding on December 15, 2057, such amounts shall be deemed discharged and shall no longer be due and outstanding.

The Junior Lien Bonds were issued at the rate of 10.625% per annum and are payable annually on December 15, beginning December 15, 2017, from, and to the extent of, Junior Lien Pledged Revenue available, if any, and mature on December 15, 2057. The Junior Lien Bonds are structured as cash flow bonds meaning that there are no scheduled payments of principal or interest prior to the final maturity date. Unpaid interest on the Junior Lien Bonds compounds annually on each December 15. In no event is any principal or interest to be paid on the Junior Lien Bonds until the Subordinate Bonds, and to the extent required by the applicable Senior/Subordinate Obligation Indentures, any other Senior/Subordinate Obligations, have been paid in full or defeased. In the event any amount of principal or interest on the Junior Lien Bonds remains unpaid after the application of all Junior Lien Pledged Revenue on December 15, 2057, the Junior Lien Bonds are to be deemed discharged.

The Senior Bonds are secured by and payable solely from Senior Pledged Revenue, net of any costs of collection, which includes:

- (a) all Senior Property Tax Revenues (generated by the imposition of the Senior Required Mill Levy);
- (b) all Senior Specific Ownership Taxes (attributable to the Senior Required Mill Levy);
- (c) all Senior PILOT Revenues (if any);
- (d) all Capital Fees; and
- (e) any other legally available amounts that the District determines, in its absolute discretion, to credit to the Senior Bond Fund.

The Senior Required Mill Levy is an ad valorem mill levy imposed on all taxable property of the District each year in an amount necessary to generate Senior Property Tax Revenues and Senior PILOT Revenues sufficient to pay the Senior Bonds and to replenish the Senior Reserve Fund to the Reserve Requirement, but not in excess of 50 mills (subject to adjustment for changes in the method of calculating assessed valuation) and for so long as the 2017A Surplus Fund is required to be maintained and the amount on deposit therein is less than the Maximum Surplus Amount, equal to 50 mills (subject to adjustment for changes in the method of calculating assessed valuation). For 2018, the Senior Required Mill Levy as adjusted is 53.606.

Amounts on deposit in the Senior Reserve Fund and, prior to the Conversion Date, amounts on deposit in the Senior Surplus Fund also secure payment of the Senior Bonds. Available Senior Pledged Revenue, if any, is to be accumulated in the Senior Surplus Fund in accordance with the Senior Indenture up to the Maximum Surplus Amount of \$1,509,000. The Senior Reserve Fund was funded with bond proceeds in the amount of \$1,193,869.

At December 31, 2017, the amount in the Senior Reserve Fund was \$1,196,236 and the amount in the Senior Surplus Funds was \$0.

**AMBER CREEK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017**

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

The Subordinate Bonds are secured by and payable from Subordinate Pledged Revenue, net of any costs of collection, which includes:

- (a) all Subordinate Property Taxes (generated by the imposition of the Subordinate Required Mill Levy);
- (b) all Subordinate Specific Ownership Taxes (attributable to the Subordinate Required Mill Levy);
- (c) all Subordinate Capital Fee Revenue (meaning any Capital Fee Revenue remaining after deduction of any amounts applied to the payment of the Senior Bonds);
- (d) all Subordinate PILOT Revenues (if any);
- (e) any amounts in the Senior Surplus Fund upon the termination of such fund pursuant to the terms of the Senior Indenture; and
- (f) any other legally available moneys which the District determines, in its absolute discretion, to credit to the Subordinate Bond Fund.

The Junior Lien Bonds are secured by and payable from Junior Lien Pledged Revenue, net of any costs of collection, which includes:

- (a) all Junior Lien Property Taxes (generated by the imposition of the Junior Lien Required Mill Levy);
- (b) all Junior Lien Specific Ownership Taxes (attributable to the Junior Lien Required Mill Levy);
- (c) all Junior Lien Capital Fee Revenue (meaning any Capital Fee Revenue remaining after deduction of any amounts applied to the payment of the Senior Bonds and the Subordinate Bonds);
- (d) all Junior Lien PILOT Revenues (if any); and
- (e) any other legally available moneys which the District determines, in its absolute discretion, to credit to the Junior Lien Bond Fund.

PILOT Revenue is derived from a covenant recorded against subject property imposing a payment in lieu of taxes against any portion of the property that is exempt from ad valorem property taxation and satisfies the following conditions: (i) the payment due each year is to be the equivalent of the ad valorem property taxes that would have been payable to the District in such year from the District's debt service mill levy if the subject property was not otherwise exempt from ad valorem property taxation and is computed based on the debt service mill levy most recently certified by the District and the most recent final certified assessed value of the subject portion of the property; (ii) the payment shall be due and payable to the District on the same date or dates that ad valorem property taxes are due to the District; and (iii) while any Bonds remain outstanding, the payment obligation under the covenant shall not be subject to modification, waiver, or amendment that would result in a material reduction of amounts due and payable thereunder unless consented to in writing by a majority of the Consent Parties. The District does not currently have any PILOT Revenue recorded against any property within the District.

**AMBER CREEK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017**

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

Prior to the Conversion Date, Senior Pledged Revenue that is not needed to pay debt service on the Senior Bonds in any year will be deposited to and held in the Senior Surplus Fund, up to the Maximum Surplus Amount. Pursuant to the Senior Indenture, the Senior Surplus Fund will be terminated upon the Conversion Date, if it occurs, and any moneys therein applied to any legal purpose of the District. Under the Subordinate Indenture, any amounts in the Senior Surplus Fund upon termination of such fund are pledged to the payment of the Subordinate Bonds. The District has acknowledged that State Law places certain restrictions on the use of money derived from the Senior Required Mill Levy.

The Bonds are subject to redemption prior to maturity, at the option of the District on December 1, 2022, and on any date thereafter, upon payment of par, accrued interest, and a redemption premium equal to a percentage of the principal amount so redeemed, as follows:

<u>Date of Redemption</u>	<u>Redemption Premium</u>
December 1, 2022, to November 30, 2023	3.00%
December 1, 2023, to November 30, 2024	2.00%
December 1, 2024, to November 30, 2025	1.00%
December 1, 2025, and thereafter	0.00%

The District's long-term bonded general obligation debt matures as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ -	\$ 766,381	\$ 766,381
2019	-	766,381	766,381
2020	-	766,381	766,381
2021	30,000	766,381	796,381
2022	170,000	764,881	934,881
2023-2027	1,145,000	3,677,405	4,822,405
2028-2032	1,740,000	3,334,905	5,074,905
2033-2037	2,500,000	2,827,655	5,327,655
2038-2042	3,510,000	2,099,457	5,609,457
2043-2047	5,995,000	1,074,458	7,069,458
	<u>\$ 15,090,000</u>	<u>\$ 16,844,285</u>	<u>\$ 31,934,285</u>

**AMBER CREEK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017**

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

Authorized Debt

On November 1, 2005, the District's electors authorized the incurrence of general obligation bonds totaling \$16,000,000 in principal. On November 5, 2013, the District's electors also authorized the incurrence of general obligation bonds totaling \$67,650,000 in principal at a rate not to exceed 18%. At December 31, 2017, the District has authorized but unissued indebtedness for the following purposes:

	<u>Authorized November 1, 2005 Election</u>	<u>Authorized November 5, 2013 Election</u>	<u>Total Authorized Debt</u>
Street improvements	\$ 4,620,000	\$ 12,100,000	\$ 16,720,000
Parks and recreation	2,079,000	6,650,000	8,729,000
Water	1,001,000	5,650,000	6,651,000
Sanitary and storm sewer	-	6,675,000	6,675,000
Public transportation	-	1,000,000	1,000,000
Mosquito control	-	50,000	50,000
Safety protection	-	100,000	100,000
Television relay	-	100,000	100,000
Intergovernmental agreements	-	1,000,000	1,000,000
Operations and maintenance	300,000	500,000	800,000
Debt refunding	8,000,000	33,825,000	41,825,000
	<u>\$ 16,000,000</u>	<u>\$ 67,650,000</u>	<u>\$ 83,650,000</u>

	<u>Authorization Used</u>			<u>Remaining at December 31, 2017</u>
	<u>2010 Prior Developer Obligation</u>	<u>2011 Agreement RE: Facilities Fee Credits</u>	<u>Series 2017 Bonds</u>	
Street improvements	\$ 487,968	\$ 597,519	\$10,766,579	\$ 4,867,934
Parks and recreation	9,785	-	4,617,759	4,101,456
Water	2,247	-	1,912,882	4,735,871
Sanitary and storm sewer	-	-	1,559,415	5,115,585
Public transportation	-	-	-	1,000,000
Mosquito control	-	-	-	50,000
Safety protection	-	-	45,365	54,635
Television relay	-	-	-	100,000
Intergovernmental agreements	-	-	-	1,000,000
Operations and maintenance	-	-	-	800,000
Debt refunding	-	-	-	41,825,000
	<u>\$ 500,000</u>	<u>\$ 597,519</u>	<u>\$18,902,000</u>	<u>\$ 63,650,481</u>

The District's Amended Service Plan limits the amount of debt that the District can issue to \$20,000,000.

**AMBER CREEK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017**

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

Developer Agreements

Prior Developer Note Agreement. The District and Amber Development (Prior Developer) are parties to an Agreement Regarding Payment for Organizational and Capital Costs dated July 19, 2010 as amended on December 8, 2011 and February 10, 2012 (the Prior Developer Note Agreement), regarding the District's acquisition of certain organizational and capital improvements, and the funding of such improvements, through the issuance of a developer payment obligation. The parties acknowledged that the combined outstanding payment obligation for the organizational and capital costs shall be paid by the District at an interest rate of 7% per annum. Pursuant to the Prior Developer Note Agreement, the District allocated and authorized sufficient electoral authorization for the repayment of the obligation and agreed to use best efforts to use general obligation bond proceeds to fund such reimbursement. Upon issuance of the 2017 Bonds, the principal amount due of \$500,000 and \$248,739 of accrued interest was paid to the Prior Developer under this Agreement.

Agreement Regarding Facility Fees Credits. The District and the Prior Developer entered into an agreement dated December 8, 2011 and amended on February 10, 2012 regarding the District's collection of facilities fee revenues and their remittance. Pursuant to the agreement, the parties acknowledged that the District adopted facilities fees for the purpose of defraying the costs of certain public improvements. The District agreed to remit a portion of the unpaid facilities fees to the Prior Developer as payment for the District's acquisition of certain capital improvements from the Prior Developer. The Prior Developer has assigned the rights for receipt of these payments to other entities. See *Agreement Regarding Assignment of Entitlement to District Reimbursements* below.

Lennar Acquisition Agreement. On April 15, 2014, the District and Lennar Colorado LLC (Lennar) entered into a Facilities Acquisition Agreement, as amended by the First Amendment to Lennar Facilities Acquisition Agreement dated as of September 29, 2017 (as amended, the Lennar FAA), in which Lennar agreed to design, construct and complete, and/or cause the design, construction and completion of certain public improvements to serve the development within the District's service area. In exchange, the District agreed to acquire such improvements and to pay Lennar for the costs of such improvements, including but not limited to all costs of design, testing, engineering, acquisition, construction, and related consultant fees, subject to satisfaction of certain conditions. Simple interest shall accrue on amounts reimbursable to Lennar under the Lennar FAA, until paid, at the rate of seven percent (7%) per annum, except for certain improvements costs which shall accrue at the rate of (10%) per annum. The term for repayment expires December 31, 2044. During 2017, the District acquired \$3,598,432 of capital infrastructure from Lennar, which was reimbursed with proceeds of the 2017 Bonds.

**AMBER CREEK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017**

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

Stratus Acquisition Agreement. Pursuant to the Subordinate Facilities Acquisition Agreement entered into on April 15, 2014 (the Stratus FAA) between the District and Stratus Amber Creek LLC (Stratus), Stratus agreed to design, construct and complete, and/or cause the design, construction and completion of certain public improvements to serve the development within the District's service area. In exchange, the District agreed to acquire such improvements and to reimburse Stratus for the costs of such improvements, including but not limited to all costs of design, testing, engineering, acquisition, construction, and related consultant fees, subject to satisfaction of certain conditions. The Stratus FAA sets forth certain provisions governing the reimbursement of amounts owed to Stratus from proceeds of the 2017 Bonds. The District's obligations under the Stratus FAA are subordinate to payments due under the Prior Developer Note Agreement, and the Lennar FAA between the District and Lennar dated April 15, 2014. The District's obligations under the Stratus FAA are subject to annual appropriation and are not to be deemed to be a multiple-fiscal year obligation. In the event that the District has not paid Stratus for any portion of the certified construction costs by December 31, 2044, any amount of principal and accrued interest outstanding on such date is to be deemed forever discharged and satisfied in full. During 2017, the District acquired \$372,332 of capital infrastructure from Stratus, which was reimbursed with proceeds of the 2017 Bonds.

Agreement Regarding Assignment of Entitlement to District Reimbursements. Stratus, the Prior Developer, and Lennar entered into an agreement on April 15, 2014 regarding the Prior Developer's respective assignment of entitlement to District reimbursements to Stratus and Lennar, in satisfaction of conditions precedent.

Capital Reimbursement and Facility Fee Credit Agreement. The District, Lennar and Stratus are parties to a Capital Reimbursement and Facility Fee Credit Agreement dated April 15, 2014 (the Capital Reimbursement and Facility Fee Credit Agreement). Under this agreement, the parties acknowledged reimbursement rights accrued for acquisition of public improvements under the prior Agreement regarding Payment for Capital and Organizational Costs, which sets forth the rights, obligations and procedures for the District in reimbursing Lennar and Stratus for certain funding amounts that were advanced by Lennar and Stratus for District infrastructure acquisitions and capital-related consulting costs. Pursuant to the agreement, the District acknowledges that it has imposed a facilities fee (the Facilities Fee) and an administrative charge to assist in defraying the cost of collection and enforcement of the Facilities Fees pursuant to the District's Imposition of Facilities Fee Resolution dated September 14, 2006, (as amended on August 25, 2011) and the District shall remit the revenues collected from the Facilities Fees on a quarterly basis to Lennar and Stratus. The parties further agree that no payment will be required of the District for such capital costs until the District collects the fee revenues, and/or issues bonds. During 2017, the District paid \$59,106 of prior organization costs plus \$57,847 of accrued interest to Lennar and Stratus. At December 31, 2017, the District had collected \$11,000 of Facilities Fees which are to be remitted to Lennar and Stratus in 2018.

**AMBER CREEK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017**

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

Operation Reimbursement Agreement. On April 15, 2014, Stratus, the District, and Lennar entered into an Operation Reimbursement Agreement (the Operation Reimbursement Agreement), pursuant to which Stratus and Lennar acknowledged the advancement of certain funds to the District to pay for certain accounting and legal consultant's costs incurred on behalf of the District in connection with District operations through March 1, 2014, and the District's obligation to reimburse such amounts to Stratus and Lennar, subject to available revenues (the "Operations Advance"). The repayment obligation bears interest at a rate of 7%. Such obligation shall not constitute a debt or indebtedness of the District. In the event that all or any portion of the Operations Advance remains outstanding on December 31, 2044, such amount shall be deemed forever discharged and satisfied in full.

Operation Funding and Reimbursement Agreement. On September 30, 2015, the District entered into an Operation Funding and Reimbursement Agreement to repay advances made by Lennar and Stratus for operations and maintenance expenses. The District agrees to repay Lennar and Stratus for such advances plus accrued interest at the rate of 7% per annum. In the event that all or any portion of Stratus Advances remain outstanding on December 31, 2034, such amount shall be deemed forever discharged and satisfied in full.

At December 31, 2017, the amount owing to Lennar and Stratus under these agreements was \$320,224, plus \$71,680 of accrued interest.

NOTE 6 - NET POSITION

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

The restricted component of net position consists of assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other government or imposed by law through constitutional provisions or enabling legislation. The District had a restricted net position as of December 31, 2017, as follows:

Restricted net position:

Emergency reserves	\$ 5,800
Debt service	2,433
Total restricted net position	<u>\$ 8,233</u>

The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

The District has a deficit in unrestricted net position. This deficit amount is the result of the District being responsible for the financing and repayment of bonds issued for the construction of public improvements, as well as the cost of issuance of the bonds and payment developer advance interest.

**AMBER CREEK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017**

NOTE 7 - RELATED PARTIES

Commercial property within the District is being developed by Stratus Amber Creek LLC (Stratus) and residential property within the District is being developed by Lennar Colorado LLC (Lennar) (collectively, the Developers). The members of the Board of Directors of the District are employees of, owners of, or associated with the Developers, and may have conflicts of interest in dealing with the District. Lennar is the owner of the District's Junior Lien Bonds (see Note 5).

NOTE 8 - INTERFUND TRANSFERS

The transfer of \$3,342,878 from the Capital Projects Fund to the Debt Service Fund was in accordance with provisions of the 2017A Senior Trust Indenture to establish a Reserve Fund and a Surplus Fund for the Senior Bonds from bond proceeds.

NOTE 9 - RISK MANAGEMENT

Except as provided in the Colorado Governmental Immunity Act, the District may be exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God.

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

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

NOTE 10 - TAX, SPENDING AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue and debt limitations which apply to the State of Colorado and all local governments.

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

**AMBER CREEK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017**

NOTE 10 - TAX, SPENDING AND DEBT LIMITATIONS (CONTINUED)

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.

On November 1, 2005, voters within the District approved the following election question that relates to additional debt for operations:

“Shall Amber Creek Metropolitan District debt be increased \$300,000 with a repayment cost of \$2,460,000 or such lesser amount as may be necessary, and shall Amber Creek Metropolitan District taxes be increased \$354,000 annually or such lesser amount as may be necessary for the payment of such debt and any refunding thereof, such debt or multiple fiscal year obligation to consist of general obligation bonds, revenue bonds or other obligations of the District, including contracts and agreements, issued or incurred for the purpose of paying, reimbursing, financing or refinancing all or any part of the District's operating expenses, or advances of operating expenses made to the District, such debt or multiple fiscal year obligation to bear interest at a net effective interest rate not in excess of 18% per annum, such interest to accrue until paid and to compound annually or semiannually as may be determined by the Board of Directors, such debt or multiple fiscal year obligation to be incurred at one time or from time to time and to mature, be subject to redemption or prepayment, with or without premium, and to contain such terms, not inconsistent herewith as the Board of Directors may determine; to be paid from any legally available moneys of the District, including the revenues derived from interest earnings, the operation of any of the District's facilities or properties and the District's provision of services; shall ad valorem property taxes be levied in any year, without limitation as to the rate or amount, in an amount sufficient to pay the principal of, and interest on the debt or multiple fiscal year obligation when due, and shall the proceeds from the debt or multiple fiscal year obligation, the revenues from such taxes, any other revenues used to pay the debt or multiple fiscal year obligation and any earnings from the investment of such proceeds and revenues (regardless of amount and without limiting in any year the amount of other revenues that may be collected and spent by the District) constitute voter-approved revenue changes?”

On November 5, 2013, voters within the District approved the following election question that relates to additional debt for operations and maintenance:

“Shall Amber Creek Metropolitan District debt be increased \$500,000 with a repayment cost of \$3,602,945, and shall Amber Creek Metropolitan District taxes be increased \$3,602,945 annually such tax increase to be collected in such amount notwithstanding any property tax cut specified by Article X, Section 20 of the Colorado Constitution, as it currently exists or as amended or such lesser amount as may be necessary for the payment of such debt and any refundings thereof issued at an interest rate that is equal to, lower or higher than the interest

**AMBER CREEK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017**

NOTE 10 - TAX, SPENDING AND DEBT LIMITATIONS (CONTINUED)

rate on the refunded debt, such debt to be in any form determined by the District and issued or incurred for the purpose of paying, reimbursing, financing or refinancing the District's operating and maintenance expenses made to the District, such debt to bear interest at a maximum net effective interest rate not to exceed 18% per annum, such interest to be payable at such time or times, and which may compound annually or semiannually, such debt to be incurred at one time or from time to time and mature, be subject to redemption, with or without premium, and be issued and sold at, above or below par, and to contain such terms, not inconsistent herewith, and be made payable from any legally available revenue of the District, including without limitation ad valorem property taxes levied in any year, all of the above as determined by the District; such taxes to consist of an ad valorem mill levy imposed on all taxable property of the District without limitation of rate or with such limitations as may be determined by the District, and in amounts sufficient to produce the annual increase set forth above or such lesser amount as may be necessary for the purpose of paying the principal of, premium if any, and interest on such debt; and shall the proceeds of any such debt and the revenue from such taxes, any other revenue used to pay such debt, and investment earnings thereon, be collected, retained and spent by the District as a voter-approved revenue change, without regard to any spending, revenue-raising, or other limitation contained within Article X, Section 20 of the Colorado Constitution, the limits imposed on increases in taxation by Section 29-1-301, C.R.S, in any year, or any other law which purports to limit the District's revenues or expenditures as it currently exists or as it may be amended in the future, all without limiting in any year the amount of other revenues that may be collected, retained and spent by the District?"

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

SUPPLEMENTARY INFORMATION

**AMBER CREEK METROPOLITAN DISTRICT
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2017**

	Budgets		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 4,100	\$ 4,100	\$ 4,100	\$ -
Net investment income	140	4,100	5,193	1,093
Total revenues	<u>4,240</u>	<u>8,200</u>	<u>9,293</u>	<u>1,093</u>
EXPENDITURES				
County Treasurer's fee	62	62	58	4
Interest expense - Bonds	150,000	65,994	65,994	-
Paying agent fees	1,000	1,000	-	1,000
Contingency	938	4,205	-	4,205
Total expenditures	<u>152,000</u>	<u>71,261</u>	<u>66,052</u>	<u>5,209</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(147,760)</u>	<u>(63,061)</u>	<u>(56,759)</u>	<u>6,302</u>
OTHER FINANCING SOURCES (USES)				
Repay developer advance - principal	-	(500,000)	(500,000)	-
Repay developer advance - interest	-	(248,739)	(248,739)	-
Transfers from (to) other funds	340,000	3,342,878	3,342,878	-
Total other financing sources (uses)	<u>340,000</u>	<u>2,594,139</u>	<u>2,594,139</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	192,240	2,531,078	2,537,380	6,302
FUND BALANCES - BEGINNING OF YEAR	<u>2,647</u>	<u>2,744</u>	<u>2,744</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ 194,887</u>	<u>\$ 2,533,822</u>	<u>\$ 2,540,124</u>	<u>\$ 6,302</u>

**AMBER CREEK METROPOLITAN DISTRICT
CAPITAL PROJECTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2017**

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Net investment income	\$ -	\$ 21,518	\$ 21,518
Total revenues	<u>-</u>	<u>21,518</u>	<u>21,518</u>
EXPENDITURES			
Accounting	-	34,163	(34,163)
Bond issue costs	325,000	581,242	(256,242)
Legal	-	36,993	(36,993)
Consulting/engineering	-	31,234	(31,234)
Capital improvements	10,535,000	3,970,764	6,564,236
Total expenditures	<u>10,860,000</u>	<u>4,654,396</u>	<u>6,205,604</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(10,860,000)</u>	<u>(4,632,878)</u>	<u>6,227,122</u>
OTHER FINANCING SOURCES (USES)			
Bond issuance	12,000,000	18,902,000	6,902,000
Developer advances	8,000,000	27,969	(7,972,031)
Repay developer advance - principal	(8,800,000)	(59,106)	8,740,894
Repay developer advance - interest	-	(57,847)	(57,847)
Transfers from (to) other funds	(340,000)	(3,342,878)	(3,002,878)
Total other financing sources (uses)	<u>10,860,000</u>	<u>15,470,138</u>	<u>4,610,138</u>
NET CHANGE IN FUND BALANCES	-	10,837,260	10,837,260
FUND BALANCES - BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ -</u>	<u>\$ 10,837,260</u>	<u>\$ 10,837,260</u>

**AMBER CREEK METROPOLITAN DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY**

**\$15,090,000
Limited Tax
(Convertible to Unlimited Tax)
G.O. Refunding and Improvement Bonds
Series 2017A
Dated October 31, 2017
Interest rate of 5.000% - 5.125%
Interest payable June 1 and December 1
Principal Due December 1**

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	-	\$ 766,381	766,381
2019	-	766,381	766,381
2020	-	766,381	766,381
2021	30,000	766,381	796,381
2022	170,000	764,881	934,881
2023	185,000	756,381	941,381
2024	215,000	747,131	962,131
2025	225,000	736,381	961,381
2026	255,000	725,131	980,131
2027	265,000	712,381	977,381
2028	300,000	699,131	999,131
2029	315,000	684,131	999,131
2030	350,000	668,381	1,018,381
2031	370,000	650,881	1,020,881
2032	405,000	632,381	1,037,381
2033	430,000	612,131	1,042,131
2034	470,000	590,631	1,060,631
2035	495,000	567,131	1,062,131
2036	540,000	542,381	1,082,381
2037	565,000	515,381	1,080,381
2038	615,000	487,131	1,102,131
2039	650,000	455,613	1,105,613
2040	705,000	422,300	1,127,300
2041	740,000	386,169	1,126,169
2042	800,000	348,244	1,148,244
2043	840,000	307,244	1,147,244
2044	905,000	264,194	1,169,194
2045	955,000	217,813	1,172,813
2046	1,025,000	168,869	1,193,869
2047	2,270,000	116,338	2,386,338
	<u>\$ 15,090,000</u>	<u>\$ 16,844,285</u>	<u>\$ 31,934,285</u>

NOTE: The debt to maturity schedule only represents the senior obligation of the District. No debt to maturity schedule has been provided for the 2017B Subordinate Bonds or the 2017C Junior Bonds because amounts are payable from subordinate pledged revenue, which may or may not be sufficient to make debt service payments when due.

**AMBER CREEK METROPOLITAN DISTRICT
SCHEDULE OF ASSESSED VALUATION, MILL LEVY
AND PROPERTY TAXES COLLECTED
December 31, 2017**

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied		Total Property Taxes		Percentage Collected to Levied
		General Operations	Debt Service	Levied	Collected	
2013	\$ 4,670	35.000	4.375	\$ 183	\$ 174	95.08%
2014	\$ 4,830	35.000	4.375	\$ 190	\$ 201	105.79%
2015	\$ 4,760	55.625	4.375	\$ 286	\$ 287	100.35%
2016	\$ 587,100	55.625	4.375	\$ 35,226	\$ 35,226	100.00%
2017	\$ 937,220	55.625	4.375	\$ 56,233	\$ 56,234	100.00%
Estimated for year ending December 31, 2018	\$ 4,450,140	18.401	53.606	\$ 320,441		

Note:

Property taxes collected in any one year include collection of delinquent property taxes levied in prior years.