

Buffalo Run Mesa Metropolitan District

ADAMS COUNTY, COLORADO



ANNUAL FINANCIAL STATEMENTS

December 31, 2017

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Office of the State Auditor

July 31, 2018

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INDEPENDENT AUDITOR'S REPORT

July 25, 2018

To the Board of Directors
Buffalo Run Mesa Metropolitan District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major funds of Buffalo Run Mesa 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 and relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities and the major funds of Buffalo Run Mesa Metropolitan District, as of December 31, 2017 and the respective changes in financial position and the budgetary comparison for the General Fund, Reserve Fund and Debt Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other-Matters

Required Supplementary Information

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

Other Information

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

The Supplementary information, as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

B F Boyer CPA PC

**Certified Public Accountants
Lakewood, CO**

BUFFALO RUN MESA METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
December 31, 2017

	Governmental Activities
ASSETS	
Cash and investments	\$ 96,659
Cash and investments – restricted	25,192
Accounts receivable – specific ownership taxes	4,762
Property taxes receivable	513,400
Prepaid expenses	2,251
Total Assets	\$ 642,264
LIABILITIES	
Accounts payable	\$ 4,425
Accrued interest payable	727
Current portion of general obligation bonds and accreted interest	315,000
General obligation bonds	6,885,000
Total Liabilities	7,205,152
DEFERRED INFLOWS OF RESOURCES	
Property tax revenue	513,400
NET POSITION	
Restricted:	
Emergency reserves	3,400
Debt service	26,247
Non-spendable	2,251
Unassigned:	(7,108,186)
Total Net Position	(\$ 7,076,288)

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

BUFFALO RUN MESA METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
For the 12-Month Period Ended December 31, 2017

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary Government:					
Government Activities:					
General government activities	\$ 26,783	\$ -	\$ -	\$ -	(\$ 26,783)
Interest and related costs on long-term debt	495,637	-	-	-	(495,637)
	<u>\$ 522,420</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(522,420)</u>
General Revenues					
					\$ 606,676
					58,544
					3,351
					<u>668,571</u>
					146,151
					<u>(7,222,439)</u>
					<u>(\$ 7,076,288)</u>

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

BUFFALO RUN MESA METROPOLITAN DISTRICT
BALANCE SHEET – GOVERNMENTAL FUNDS
December 31, 2017

	General	Debt Service	Total Government Funds
ASSETS			
Cash and investments	\$ 96,659	\$ -	\$ 96,659
Cash and investments - Restricted	3,400	21,792	25,192
Accounts receivable – spec ownership taxes	307	4,455	4,762
Property taxes receivable	33,100	480,300	513,400
Prepaid expenses	2,251	-	2,251
TOTAL ASSETS	\$ 135,717	\$ 506,547	\$ 642,264
LIABILITIES			
Accounts payable	4,425	-	4,425
DEFERRED INFLOWS OF RESOURCES			
Property tax revenue	33,100	480,300	513,400
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	37,525	480,300	517,825
FUND BALANCES			
Restricted:			
Emergencies (TABOR)	3,400	-	3,400
Debt service	-	26,247	26,247
Non-spendable:			
Unassigned	2,251	-	2,251
Unassigned	92,541	-	92,541
Total Fund Balances	98,192	26,247	124,439
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 135,717	\$ 506,547	

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

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds	
Bonds payable	(7,200,000)
Accrued interest payable	(727)
Net position of governmental activities	<u>(\$7,076,288)</u>

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

BUFFALO RUN MESA METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
12-Month Period Ended December 31, 2017

	General	Debt Service	Total Government Funds
REVENUES			
Property taxes	\$ 149,993	\$ 456,683	\$ 606,676
Specific ownership taxes	13,604	44,940	58,544
Net investment income	527	2,824	3,351
Total revenues	164,124	504,447	668,571
EXPENDITURES			
General and administration	24,532	-	24,532
Collections – County Treasurer	2,251	6,854	9,105
Debt service			
Bond interest – Series 2004	-	296,630	296,630
Accreted interest – Series 2004	-	430,223	430,223
Bond interest – Series 2006	-	60,087	60,087
Bond interest – Series 2017	-	30,470	30,470
Paying agent fees	-	516	516
Bond issuance costs	-	102,788	102,778
Total Expenditures	26,783	927,568	954,351
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	137,341	(423,121)	(285,780)
OTHER FINANCING SOURCES (USES)			
Transfers in (out)	(100,000)	100,000	-
Proceeds from issuance of 2017 G.O. note	-	7,200,000	7,200,000
Repayment of G.O. bonds – series 2004	-	(5,704,000)	(5,704,000)
Repayment of G.O. bonds – series 2006	-	(1,170,000)	(1,170,000)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	37,341	2,879	40,220
FIND BALANCES – BEGINNING OF YEAR	60,851	23,368	\$ 84,219
FUND BALANCES – END OF YEAR	<u>\$ 98,192</u>	<u>\$ 26,247</u>	<u>\$ 124,439</u>

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

BUFFALO RUN MESA METROPOLITAN DISTRICT
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES**
12-Month Period Ended December 31, 2017

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

Net change in fund balances – Total government funds	\$	40,220
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The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

Proceeds from issuance of 2017 general obligation note	(7,200,000)
Repayment of general obligation bonds – series 2004		5,704,000
Repayment of general obligation bonds – series 2006		1,170,000
Repayment of accreted interest		430,223

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.

Increase in accrued interest on Series 2017 general obligation note	(727)
Increase in accreted interest on Series 2004 Bonds		(28,343)
Decrease in accrued interest on 2004 and 2006 general obligation bonds		30,778

Changes in net position of governmental activities	\$	146,151
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These financial statements should be read only in connection with
the accompanying notes to the financial statements.

BUFFALO RUN MESA METROPOLITAN DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL
12-Month Period Ended December 31, 2017

	Original Budget	Amended Budget	Actual Amounts	Positive / (Negative) Variance with Amended Budget
REVENUES				
1. Property taxes	\$ 149,993	\$ 149,993	\$ 149,993	\$ -
2. Specific ownership taxes	42,000	49,000	13,604	(35,396)
3. Net investment income	250	1,000	527	(473)
Total revenues	192,243	199,993	164,124	(35,869)
EXPENDITURES				
4. General and administration	109,802	29,750	24,532	5,218
5. Collections – County Treasurer	2,250	2,250	2,251	(1)
Total expenditures	112,052	32,000	26,783	5,217
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	80,191	167,993	137,341	(30,652)
OTHER FINANCING SOURCES (USES)				
8. Transfers in (out)	(120,000)	(120,000)	(100,000)	20,000
Total other financing sources (uses)	(120,000)	(120,000)	(100,000)	20,000
EXCESS OF REVENUES AND OTHER FINANCIAL SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(39,809)	47,993	37,341	(10,652)
FUND BALANCE – BEGINNING OF YEAR	39,809	60,851	60,851	-
FUND BALANCE – END OF YEAR	\$ -	\$ 108,844	\$ 98,192	(\$ 10,652)

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

**BUFFALO RUN MESA METROPOLITAN DISTRICT
GENERAL FUND EXPENDITURE
DETAILS– BUDGET AND ACTUAL
12-Month Period Ended December 31, 2017**

	Original Budget	Amended Budget	Actual Amounts	Positive / (Negative) Variance with Amended Budget
GENERAL AND ADMINISTRATION				
1. District management fees	\$ 16,000	\$ 16,200	\$ 16,163	\$ 37
2. Administrative costs	1,200	2,500	2,249	251
3. Audit fees	4,500	4,000	-	4,000
4. Board of Directors' fees	-	900	900	-
5. Board training and conferences	-	-	175	(175)
6. Insurance	3,455	2,900	2,890	10
7. Legal fees – general	7,000	2,500	2,155	345
8. Contingency	77,647	750	-	750
Total General and Administration	\$ 109,802	\$ 29,750	\$ 24,532	\$ 5,218

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

BUFFALO RUN MESA METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
12-Month Period Ended December 31, 2017

NOTE 1 – DEFINITION OF REPORTING ENTITY

Buffalo Run Mesa Metropolitan District (District), a quasi-municipal corporation, was organized on June 17, 2002, and is governed pursuant to provisions of the Colorado Special District Act (Title 32). The District operates under an amended and restated service plan approved by Commerce City (City) on September 18, 2017. The District's service area is located in Adams County, Colorado entirely within the boundaries of the City. The District was established to provide financing for the design, acquisition, construction and installation of streets, traffic and safety controls, park and recreation facilities, water facilities, sanitary and storm drainage improvements and mosquito control services within the District.

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 organizations 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 organizations governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies of the District are 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 property taxes.

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

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

These notes are an integral part of the accompanying financial statements.

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 sources of revenue susceptible to accrual are property taxes and specific ownership taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is due.

The District reports the following major governmental funds:

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

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

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

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 funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

On October 19, 2017, the District Board amended the 2017 budget and (1) increased the appropriation of expenditures and other financing uses from the debt fund from \$552,939 to \$7,655,000 and (2) decreased the appropriation of expenditures and other financing uses from \$232,052 to \$152,000. The purpose of amending the 2017 budget was to allow the District to refinance its outstanding debt to a lower interest rate.

These notes are an integral part of the accompanying financial statements.

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.

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 invests certain funds in an external investment pool (ColoTrust) that records its investments at fair value. Investments in ColoTrust are categorized as Level 2 Investments.

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 property taxes collected monthly to the District.

Property taxes are recorded initially as deferred inflows or resources in the year they are levied and measurable. The deferred property tax revenues are recorded as revenue in the year they are available or collected.

Deferred Outflows of Resources and Deferred 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 does not have any items that qualify for reporting in this category.

A deferred inflow of resources is an acquisition of net position by a government that is applicable to a future reporting period and a deferred outflow of resources is a consumption of net position by a government that is applicable to a future reporting period. Both deferred inflows and outflows are reported in the statement of net position but are not recognized in the financial statement as revenues and expenses until the period(s) to which they relate. Deferred inflows of resources in the governmental fund financial statements of the District for the 12-month period ended December 31, 2017 are comprised of property taxes due from Adams County that will not be collected within 60 days of the end of the current calendar year. Deferred inflows of resources in the government-wide financial statements represents property taxes for which an enforceable legal claim to assets exists, but for which the levy pertains to the subsequent year.

These notes are an integral part of the accompanying financial statements.

Net Position

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

In the government-wide financial statements, fund equity is classified as net position. Net position may be classified into three components: net investment in capital assets, restricted and unrestricted. These classifications are defined as follows:

- Net investment in capital assets - this component of net position consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any debt that is attributable to the acquisition, construction or improvement of those assets. If there are significant unspent debt proceeds at year end, the portion of the debt attributable to the unspent proceeds is not included in this component.
- Restricted - this component of net position consists of assets that are restricted for use as imposed by external parties such as creditors, grantors or contributors, or as imposed by laws or regulations of other governments, or as imposed through constitutional provisions or enabling legislation.
- Unrestricted - the component of net position that does not meet the definitions above.

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: non-spendable, 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:

- **Non-spendable fund balance** – The portion of a fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts) or legally or contractually required to be maintained intact.
- **Restricted fund balance** – The portion of a 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 a 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 a 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 a fund balance that does not meet any of the criteria described above.

These notes are an integral part of the accompanying financial statements.

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

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 – unrestricted	\$ 96,659
Cash and investments – restricted	25,192
Total cash and investments	<u>\$ 121,851</u>

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

Deposits with financial institutions	\$ 38,644
Investments	83,207
Total cash and investments	<u>\$ 121,851</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 of \$38,944 and a carrying balance of \$38,644.

Investments

The District has adopted a formal investment policy in accordance with state statutes regarding investments.

The District generally limits its concentration of investments to those listed below, which are believed to have minimal credit risk, minimal interest rate risk, and no foreign currency risk. Additionally, the District is not subject to concentration risk disclosure requirements or subject to investment custodial risk 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.

Revenue bonds of local government securities, corporate and bank securities, and guaranteed investment contracts not purchased with bond proceeds, are limited to maturities of three years or less.

These notes are an integral part of the accompanying financial statements.

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

As of December 31, 2017, the District’s investments were comprised of the following:

Investment	Maturity	Fair Value
ColoTrust Plus+	Weighted average under 60 days	\$ 83,207

ColoTrust

The District invested in the Colorado Local Government Liquid Asset Trust (“ColoTrust”), an investment vehicle established for local government entities in Colorado to pool surplus finds. The State Securities Commissioner administers and enforces all State statutes governing ColoTrust. ColoTrust operates similarly to a money market fund and each share is equal in value to \$1.00. ColoTrust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+, both of which are classified as Level 2 investments under the fair value hierarchy. 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 repurchase agreements collateralized by certain obligations of U.S. government agencies. A designated custodial bank serves as custodian for ColoTrust’s portfolios pursuant to a custodian agreement.

The custodian acts as safekeeping agent for ColoTrust’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 ColoTrust. ColoTrust is rated AAAM by Standard & Poor's.

These notes are an integral part of the accompanying financial statements.

NOTE 4 – LONG-TERM DEBT

The following is a summary of the changes in the District's long-term debt for the year ended December 31, 2017:

	<u>Balance at Dec. 31, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at Dec. 31, 2017</u>	<u>Due within one year</u>
Series 2004 Bonds	\$ 5,704,000	\$ -	(\$ 5,704,000)	\$ -	\$ -
Series 2004 Bonds – Accreted Interest	401,880	28,343	(430,223)	-	-
Series 2006 Bonds	1,170,000	-	(1,170,000)	-	-
Series 2017 G.O. Note	-	7,200,000	-	7,200,000	315,000
	<u>\$ 7,275,880</u>	<u>\$ 7,228,343</u>	<u>(\$7,304,223)</u>	<u>\$ 7,200,000</u>	<u>\$ 315,000</u>

Details regarding the District's long-term obligations are as follows:

Note Payable

On October 6, 2017, the District issued a \$7,200,000 in General Obligation Note for the purpose of refinancing its 2004 and 2006 General Obligation Bonds. The bond is due December 1, 2035, with an interest of 2.77%, paid semiannually on June 1 and December 1. The bond may be redeemed prior to maturity, at the option of the District, on any date, upon payment of the present value (as defined in the September 27, 2017 authorizing resolution of the board) of the Note. The Note is payable from pledged revenue, including the District's covenant to levy the required mill levy on all taxable property within the District to pay for debt scheduled payments as well as a portion of specific ownership taxes collected by the District as a result of the imposition of the required mill levy.

The Note is secured by the Pledged Revenues and all moneys and earnings thereon. Pledged Revenues consists of revenues derived from the imposition of the Required Mill Levy remitted to the District.

Per the District's service plan, no limitations exist on the mill levy the District can impose for debt service.

The following is a summary of the annual long-term debt principal and interest requirements for the Series 2017 General Obligation Note:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 315,000	\$ 199,440	\$ 514,440
2019	325,000	190,715	515,715
2020	330,000	181,712	511,712
2021	340,000	172,571	512,571
2022	350,000	163,153	513,153
2023 to 2027	1,900,000	664,800	2,564,800
2028 to 2032	2,180,000	386,831	2,566,831
2033 to 2035	1,460,000	81,576	1,541,576
	<u>\$ 7,200,000</u>	<u>\$ 2,040,798</u>	<u>\$ 9,240,798</u>

These notes are an integral part of the accompanying financial statements.

Debt Authorization

On May 07, 2002, the District's electors authorized the issuance of indebtedness in an amount not to exceed \$8,500,000 for infrastructure improvements and operations at an interest rate not to exceed 18% and \$8,000,000 for refunding the District's debt or other obligations.

The District's authorized but unissued indebtedness in the following amounts allocated for the following purposes is as follows:

	Authorized May 2002 Election	Authorized Nov 2004 Election	Authorization Used		Authorization Remaining at Dec. 30, 2017
			2004	2006	
Water	\$ 1,050,000	\$ 1,000,000	\$1,050,000	\$ 660,000	\$ 340,000
Sewer	950,000	1,000,000	950,000	440,000	560,000
Street Improvements	3,300,000	1,000,000	1,863,563	650,000	1,786,437
Park and Recreation	2,550,000	1,000,000	1,840,437	-	1,709,563
Traffic Safety Controls	150,000	1,000,000	-	-	1,150,000
Operation and Administration	500,000	-	-	-	500,000
Mosquito Control	-	500,000	-	-	500,000
Bond Refunding	8,000,000	-	-	-	8,000,000
	<u>\$16,500,000</u>	<u>\$5,500,000</u>	<u>\$5,704,000</u>	<u>\$ 1,750,000</u>	<u>\$ 14,546,000</u>

Pursuant to the District's Service Plan, the District is limited to issuing \$8,000,000 in bond indebtedness. In the future, the District may issue a portion or all of the remaining authorized but unissued general obligation debt for purposes of providing public improvements to support development as it occurs within the District's service area.

As of December 31, 2017, the remaining, unused debt issuance authorization (excluding bond refunding authorization) totaling \$2,146,000 and \$4,400,000 will expire in accordance with 32-1-1101(2), C.R.S. in May 2022 and November 2024, respectively - 20 years after the original debt authorization election.

NOTE 5 – NET POSITION

The District has a net position consisting of three components – restricted, non-spendable and unassigned.

Restricted Net Position

The District's restricted net position as of December 31, 2017 in the general fund and debt service fund totaled \$3,400 and \$26,247, respectively. The restricted net position within the general fund is due to spending restrictions established by TABOR. See Note 8 for further details. The restricted net position within the debt service fund is comprised of funds that are restricted to servicing the Series 2017 general obligation note per the debt mill levy and related note agreement.

These notes are an integral part of the accompanying financial statements.

Non-Spendable Net Position

The District's non-spendable net position as of December 31, 2017 in the general fund and debt service fund totaled \$2,251 and \$0, respectively. These balances were created due to the District prepaying certain 2018 expenses in 2017.

Unassigned Net Position

The District's unassigned net position as of December 31, 2017 totaled \$(7,108,186). This deficit amount was a result of the District being responsible for the repayment of bonds issued for public improvements conveyed to Commerce City, South Adams County Water and Sanitation District and the Association.

NOTE 6 – RELATED PARTIES

One of the Directors on the Board is an owner of Buffalo Run Mesa, LLC, the original developer of the property within the District (to which entity developer advances were payable), and was also an owner and/or trustee of the Series 2006 and Series 2004 bonds.

NOTE 7 – RISK MANAGEMENT

The District is exposed to various risks of loss including (a) torts, thefts of, damage to, or destruction of assets, (b) errors or omissions and (c) 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 insure its member districts against various risks of loss. Settled claims have not exceeded this coverage in any of the past three years.

The District pays annual premiums to the Pool for liability and public officials' liability 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 its members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to the Pool's distribution formula.

NOTE 8 – TAX, SPENDING AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution—referred to 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.

On May 07, 2002, District voters authorized the District to assess property taxes at no more than \$150,000 annually, without limitation to rate, to pay the District's operations, maintenance and other expenses. Additionally, the District voters approved a revenue change to allow the District to retain and spend all revenue, other than ad valorem taxes, in excess of TABOR spending, revenue raising or other limitations.

These notes are an integral part of the accompanying financial statements.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). TABOR prohibits the District from using its emergency reserves to compensate for economic conditions and revenue shortfalls.

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

These notes are an integral part of the accompanying financial statements.

SUPPLEMENTARY INFORMATION

BUFFALO RUN MESA METROPOLITAN DISTRICT
DEBT SERVICE FUND –
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL

12-Month Period Ended December 31, 2017

	Original Budget	Amended Budget	Actual Amounts	Positive / (Negative) Variance with Amended Budget
REVENUES				
Property taxes	\$ 456,683	\$ 456,683	\$ 456,683	\$ -
Specific ownership taxes	4,000	5,000	44,940	39,940
Net investment income	250	1,000	2,824	1,824
Total revenues	460,933	462,683	504,447	41,764
EXPENDITURES				
Collection fees – County Treasurer	6,850	6,850	6,854	(4)
Bond paying agent fees	950	1,000	516	484
Contingency	5,000	3,539	-	3,539
Debt service				
Bond interest – Series 2004	343,700	318,844	296,630	22,214
Accreted interest – Series 2004	196,439	268,217	430,223	(162,006)
Bond interest – Series 2006	-	58,500	60,087	(1,587)
Bond interest – Series 2017	-	-	30,470	(30,470)
Bond issue costs	-	124,050	102,788	21,262
Total expenditures	552,939	781,000	927,568	(146,568)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(92,006)	(318,317)	(423,121)	(104,804)
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	120,000	120,000	100,000	(20,000)
Proceeds from of 2017 G.O. note	-	7,200,000	7,200,000	-
Repayment of G.O. bonds –2004	-	(5,704,000)	(5,704,000)	-
Repayment of G.O. bonds –2006	-	(1,170,000)	(1,170,000)	-
	-			
Total other financing sources (uses)	120,000	446,000	426,000	(20,000)
EXCESS OF REVENUES AND OTHER FINANCIAL SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	27,994	127,683	2,789	(124,804)
FUND BALANCE – BEGINNING OF YEAR	\$ 4,718	\$ 23,368	23,368	-
FUND BALANCE – END OF YEAR	\$ 32,712	\$ 151,051	\$ 26,247	(\$ 124,804)

BUFFALO RUN MESA METROPOLITAN DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
 December 31, 2017

The District's repayment schedule for its Series 2017 general obligation note is as follows:

Year Ended December 31,	Principal	Interest	Interest Rate	Total
2018	\$ 315,000	\$ 199,440	2.770%	\$ 514,440
2019	325,000	190,715	2.770%	515,715
2020	330,000	181,712	2.770%	511,712
2021	340,000	172,571	2.770%	512,571
2022	350,000	163,153	2.770%	513,153
2023	360,000	153,458	2.770%	513,458
2024	370,000	143,486	2.770%	513,486
2025	380,000	133,237	2.770%	513,237
2026	390,000	122,711	2.770%	512,711
2027	400,000	111,908	2.770%	511,908
2028	410,000	100,828	2.770%	510,828
2029	425,000	89,471	2.770%	514,471
2030	435,000	77,699	2.770%	512,699
2031	450,000	65,649	2.770%	515,649
2032	460,000	53,184	2.770%	513,184
2033	475,000	40,442	2.770%	515,442
2034	485,000	27,284	2.770%	512,284
2035	500,000	13,850	2.770%	513,850
	\$ 7,200,000	\$ 2,040,798		\$ 9,240,798

Interest is payable each year on June 1st and December 1st, and principal payments are due each year on December 1st. Beginning June 1, 2014, the District may redeem the outstanding bond balance at any time without paying a redemption premium to the bond holders.

BUFFALO RUN MESA METROPOLITAN DISTRICT
**SUMMARY OF ASSESSED VALUATION,
MILL LEVY AND PROPERTY TAXES COLLECTED**
December 31, 2017

Year Ended December 31,	Prior Year Assessed Valuation for Current Year tax Levy	Mills Levied		Total Property Taxes		Percent Collected to Levied
		Operations	Debt	Levied	Collected (Note A)	
2013	\$ 7,754,830	19.000	50.000	\$ 535,084	\$ 535,065	100.00%
2014	7,439,000	19.000	50.000	513,291	513,923	101.12%
2015	7,445,510	19.000	50.000	513,741	513,517	99.96%
2016	9,122,770	16.464	50.000	606,336	606,335	100.00%
2017	9,133,660	16.422	50.000	606,676	606,676	100.00%
2018	11,037,430	2.999	43.516	513,400	[TBD]	[TBD]

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

OTHER SUPPLEMENTARY INFORMATION

BUFFALO RUN MESA METROPOLITAN DISTRICT
CHANGE IN TOTAL OVERLAPPING MILL LEVY

December 31, 2017

	2018 Mill Levy *	2017 Mill Levy **	Change
Buffalo Run Mesa Metropolitan District	46.515	66.422	(19.907)
Brighton School District No. 27J	49.164	49.317	(0.153)
Commerce City North Infrastructure General Improvement District	27.000	27.000	--
Adams County	26.929	27.055	(0.126)
South Adams Fire District No. 4	9.900	9.900	--
Rangeview Library District	3.669	3.659	0.010
City of Commerce City	3.160	3.128	0.032
South Adams County Water and Sanitation District	2.701	3.102	(0.401)
Urban Drainage and Flood Control	0.500	0.559	(0.059)
Urban Drainage and Flood Control – South Platte	0.057	0.061	(0.004)
Total Mill Levy (Tax Area 598)	169.595	190.203	(20.608)

* -- For property tax collections in 2018

** -- For property tax collections in 2017

BUFFALO RUN MESA METROPOLITAN DISTRICT
HISTORICAL DEBT RATIOS
 December 31, 2017

	2013	2014	2015	2016	2017
Debt outstanding	\$ 6,874,000	\$ 6,874,000	\$ 6,874,000	\$ 6,874,000	\$ 7,200,000
Combined assessed property values within the District	\$ 7,439,000	\$ 7,445,510	\$ 9,122,770	\$ 9,133,660	\$ 11,037,430
Ratio of debt to assessed property values	92.40%	92.32%	75.35%	75.26%	65.24%