

BUFFALO HIGHLANDS METROPOLITAN DISTRICT

Financial Statements

Year Ended December 31, 2017

with

Independent Auditors' Report



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Board of Directors  
Buffalo Highlands Metropolitan District  
Adams County, Colorado

### Independent Auditors' Report

We have audited the accompanying financial statements of the governmental activities and each major fund of the Buffalo Highlands Metropolitan District, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditor's Responsibility***

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

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

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

#### ***Opinions***

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

***Other-Matters***

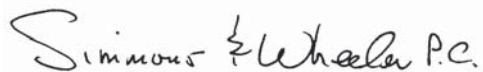
*Required Supplementary Information*

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

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Buffalo Highland Metropolitan District's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

A handwritten signature in cursive script that reads "Simmons & Whelan P.C.".

Englewood, CO  
June 7, 2018

**BUFFALO HIGHLANDS METROPOLITAN DISTRICT**

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

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
<b>ASSETS</b>						
Cash and investments - unrestricted	\$ 1,243	\$ -	\$ -	1,243	\$ -	\$ 1,243
Cash and investments - restricted	-	29,421	900	30,321	-	30,321
Receivable - County Treasurer	7	33	-	40	-	40
Property taxes receivable	17,091	62,985	-	80,076	-	80,076
Prepaid expenses	2,731	-	5,742	8,473	-	8,473
Capital assets, not being depreciated	-	-	-	-	7,932,194	7,932,194
<b>Total Assets</b>	<u>\$ 21,072</u>	<u>\$ 92,439</u>	<u>\$ 6,642</u>	<u>\$ 120,153</u>	<u>7,932,194</u>	<u>8,052,347</u>
<b>LIABILITIES</b>						
Accounts payable	\$ 6,003	\$ -	\$ -	\$ 6,003	-	6,003
Accrued interest on loan payable	-	-	-	-	1,324,542	1,324,542
Accrued interest on developer advances	-	-	-	-	159,518	159,518
Long-term liabilities:					-	
Loan payable	-	-	-	-	5,940,001	5,940,001
Developer advances - capital	-	-	-	-	87,408	87,408
Developer advances - operations	-	-	-	-	307,236	307,236
<b>Total Liabilities</b>	<u>6,003</u>	<u>-</u>	<u>-</u>	<u>6,003</u>	<u>7,818,705</u>	<u>7,824,708</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred property taxes	<u>17,091</u>	<u>62,985</u>	<u>-</u>	<u>80,076</u>	<u>-</u>	<u>80,076</u>
<b>Total Deferred Inflows of Resources</b>	<u>17,091</u>	<u>62,985</u>	<u>-</u>	<u>80,076</u>	<u>-</u>	<u>80,076</u>
<b>FUND BALANCES/NET POSITION</b>						
Fund Balances:						
Nonspendable:						
Prepays	2,731	-	-	2,731	(2,731)	-
Restricted:						
Emergencies	2,324	-	-	2,324	(2,324)	-
Debt service	-	29,454	-	29,454	(29,454)	-
Unassigned	<u>(7,077)</u>	<u>-</u>	<u>-</u>	<u>(7,077)</u>	<u>7,077</u>	<u>-</u>
<b>Total Fund Balances</b>	<u>(2,022)</u>	<u>29,454</u>	<u>6,642</u>	<u>34,074</u>	<u>(34,074)</u>	<u>-</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u>\$ 21,072</u>	<u>\$ 92,439</u>	<u>\$ 6,642</u>	<u>\$ 120,153</u>		
<b>Net Position:</b>						
Net investment in capital assets					1,904,785	1,904,785
Restricted for:						
Emergencies					2,324	2,324
Debt service					(130,064)	(130,064)
Unrestricted					<u>(1,636,124)</u>	<u>(1,636,124)</u>
<b>Total Net Position</b>					<u>\$ 147,563</u>	<u>\$ 147,563</u>

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

**BUFFALO HIGHLANDS METROPOLITAN DISTRICT**

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

For the Year Ended December 31, 2017

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>EXPENDITURES</b>						
Accounting	\$ 8,006	\$ -	\$ -	\$ 8,006	\$ -	\$ 8,006
Audit	7,952	-	-	7,952	-	7,952
Election expense	41	-	-	41	-	41
Insurance	3,071	-	-	3,071	-	3,071
Legal	26,394	-	2,711	29,105	-	29,105
Management	19,823	-	432	20,255	(324)	19,931
Miscellaneous expenses	1,587	-	-	1,587	-	1,587
Treasurer's fees	12	62	-	74	-	74
Interest on developer advances	-	-	-	-	27,766	27,766
Interest on loan	-	-	-	-	410,905	410,905
96th Avenue Project	-	-	665	665	(665)	-
Total Expenditures	<u>66,886</u>	<u>62</u>	<u>3,808</u>	<u>70,756</u>	<u>437,682</u>	<u>508,438</u>
<b>GENERAL REVENUES</b>						
Property taxes	832	4,160	-	4,992	-	4,992
Specific ownership taxes	86	428	-	514	-	514
Miscellaneous income	7	-	-	7	-	7
Total General Revenues	<u>925</u>	<u>4,588</u>	<u>-</u>	<u>5,513</u>	<u>-</u>	<u>5,513</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(65,961)</b>	<b>4,526</b>	<b>(3,808)</b>	<b>(65,243)</b>	<b>(437,682)</b>	<b>(502,925)</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Developer advances	<u>72,350</u>	<u>-</u>	<u>10,450</u>	<u>82,800</u>	<u>(82,800)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>72,350</u>	<u>-</u>	<u>10,450</u>	<u>82,800</u>	<u>(82,800)</u>	<u>-</u>
<b>NET CHANGES IN FUND BALANCES</b>	<b>6,389</b>	<b>4,526</b>	<b>6,642</b>	<b>17,557</b>	<b>(17,557)</b>	<b>-</b>
<b>CHANGE IN NET POSITION</b>					<b>(502,925)</b>	<b>(502,925)</b>
<b>FUND BALANCES/NET POSITION:</b>						
BEGINNING OF YEAR	<u>(8,411)</u>	<u>24,928</u>	<u>-</u>	<u>16,517</u>	<u>633,971</u>	<u>650,488</u>
END OF YEAR	<u>\$ (2,022)</u>	<u>\$ 29,454</u>	<u>\$ 6,642</u>	<u>\$ 34,074</u>	<u>\$ 113,489</u>	<u>\$ 147,563</u>

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

## BUFFALO HIGHLANDS METROPOLITAN DISTRICT

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

For the Year Ended December 31, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>				
Property taxes	\$ 832	\$ 832	\$ 832	\$ -
Specific ownership taxes	120	120	86	(34)
Miscellaneous income	-	-	7	7
Total Revenues	952	952	925	(27)
<b>EXPENDITURES</b>				
Accounting	10,000	10,000	8,006	1,994
Audit	6,000	8,000	7,952	48
Election expense	-	-	41	(41)
Insurance	3,300	3,300	3,071	229
Legal	5,000	26,800	26,394	406
Management	10,000	20,000	19,823	177
Miscellaneous expenses	1,500	1,600	1,587	13
Treasurer's fees	12	12	12	-
Contingency	8,023	971	-	971
Emergency reserve	1,317	1,317	-	1,317
Total Expenditures	45,152	72,000	66,886	5,114
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(44,200)	(71,048)	(65,961)	5,087
<b>OTHER FINANCING SOURCES (USES)</b>				
Developer advances	42,934	72,350	72,350	-
Total Other Financing Sources (Uses)	42,934	72,350	72,350	-
<b>NET CHANGE IN FUND BALANCE</b>	(1,266)	1,302	6,389	5,087
<b>FUND BALANCE:</b>				
BEGINNING OF YEAR	1,266	1,266	(8,411)	(9,677)
END OF YEAR	\$ -	\$ 2,568	\$ (2,022)	\$ (4,590)

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

# BUFFALO HIGHLANDS METROPOLITAN DISTRICT

## Notes to Financial Statements

December 31, 2017

### Note 1: Summary of Significant Accounting Policies

The accounting policies of the Buffalo Highlands Metropolitan District, located in the City of Commerce City (the "City"), Adams County, Colorado, conform to the accounting principles generally accepted in the United States of America ("GAAP") as applicable to governmental units.

The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies consistently applied in the preparation of financial statements.

#### Definition of Reporting Entity

The District was organized on December 16, 2002 as a quasi-municipal organization established under the State of Colorado Special District Act. The District was established to provide for the acquisition, construction, installation, and completion of certain improvements including streets, safety controls, parks and recreation facilities, water systems, sanitary sewer and storm drainage, and mosquito controls that benefit the citizens of the District. The District's primary revenues are property taxes. The District is governed by an elected Board of Directors.

As required by GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District follows the GASB pronouncements, which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB sets forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency. The pronouncements also require including a possible component unit if it would be misleading to exclude it.

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

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

#### Basis of Presentation

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

# BUFFALO HIGHLANDS METROPOLITAN DISTRICT

## Notes to Financial Statements December 31, 2017

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

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

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

### Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are collected.

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

# BUFFALO HIGHLANDS METROPOLITAN DISTRICT

## Notes to Financial Statements December 31, 2017

The District reports the following major governmental funds:

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

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

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

### Budgetary Accounting

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

In October 2017, the District amended its total appropriations in the Debt Service Fund from \$13,546 to \$30,000 primarily due to expected loan interest payments. Subsequent to year end, the District amended its total appropriations in the General Fund from \$45,152 to \$72,000 primarily due to higher than expected legal expenditures.

### Assets, Liabilities and Net Position

#### Fair Value of Financial Instruments

The District's financial instruments include cash and cash equivalents, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2017, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

# BUFFALO HIGHLANDS METROPOLITAN DISTRICT

## Notes to Financial Statements December 31, 2017

### Deposits and Investments

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

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

### Interfund Balances

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

### Estimates

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

### Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Deferred property taxes are deferred and recognized as an inflow of resources in the period that the amounts become available.

# BUFFALO HIGHLANDS METROPOLITAN DISTRICT

## Notes to Financial Statements December 31, 2017

### Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable using the straight-line method. Depreciation on property that will remain assets of the District is reported on the Statement of Activities as a current charge. Improvements that will be conveyed to other governmental entities are classified as construction in progress and are not depreciated. Land and certain landscaping improvements are not depreciated.

### Long-Term Obligations

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

### 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 30 or if in equal installments, at the taxpayers' election, in February and June. Delinquent taxpayers are notified in July or August and the sales of the resultant tax liens on delinquent properties are generally held in November or December. The County Treasurer remits the taxes collected monthly to the District.

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

# BUFFALO HIGHLANDS METROPOLITAN DISTRICT

## Notes to Financial Statements December 31, 2017

### Fund Equity

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

### Nonspendable Fund Balance

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

The nonspendable fund balance in the General Fund in the amount of \$2,731 represents prepaid expenditures.

### Restricted Fund Balance

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

The restricted fund balance in the General Fund represents Emergency Reserves that have been provided as required by Article X, Section 20 of the Constitution of the State of Colorado. A total of \$2,324 of the General Fund balance has been restricted in compliance with this requirement.

The restricted fund balance in the Debt Service Fund in the amount of \$29,454 is restricted for the payment of the debt service costs associated with the Series 2013 Loan. (See Note 4).

The restricted fund balance in the Capital Projects Fund in the amount of \$6,642 is restricted for the payment of the costs for capital improvements within the District.

### Committed Fund Balance

The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by a formal action of the government's highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.

### Assigned Fund Balance

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

BUFFALO HIGHLANDS METROPOLITAN DISTRICT

Notes to Financial Statements  
December 31, 2017

Unassigned Fund Balance

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

Deficit Fund Balance

The General Fund reported a deficit fund balance in the fund financial statements of \$2,022. The District anticipates the elimination of this deficit in 2018.

Net Position

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

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

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

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

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

Note 2: Cash and Investments

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

Statement of Net Position:	
Cash and investments	\$ 1,243
Cash and investments - Restricted	<u>30,321</u>
Total	<u>\$ 31,564</u>

## BUFFALO HIGHLANDS METROPOLITAN DISTRICT

### Notes to Financial Statements December 31, 2017

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

Deposits with financial institutions	<u>\$ 31,564</u>
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#### Deposits

##### Custodial Credit Risk

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

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

#### Investments

##### Investment Valuation

Certain investments are measured at fair value 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.

##### Credit Risk

The District investment policy requires that the District follow state statutes for investments. Colorado statutes specify the types of investments meeting defined rating and risk criteria in which local governments may invest. These investments include obligations of the United States and certain U.S. Government agency entities, certain money market funds, guaranteed investment contracts, and local government investment pools.

##### Custodial and Concentration of Credit Risk

The District does not have any investments subject to custodial or concentration of credit risk.

BUFFALO HIGHLANDS METROPOLITAN DISTRICT

Notes to Financial Statements  
December 31, 2017

Interest Rate Risk

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

As of December 31, 2017, the District had no investments.

Note 3: Capital Assets

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

	Balance 12-31-16	Additions	Deletions	Balance 12-31-17
<u>Governmental Type Activities:</u>				
<u>Capital assets not being depreciated:</u>				
Construction in progress	\$ 7,931,205	\$ 989	\$ -	\$ 7,932,194

Upon completion and acceptance, all capital assets will either be conveyed by the District to other local governments, or retained by the District and depreciated over their useful lives.

Note 4: Long Term Debt

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

	Balance 12-31-16	Additions	Deletions	Balance 12-31-17	Current Portion
<u>Developer advances:</u>					
Capital	\$ 76,958	\$ 10,450	\$ -	\$ 87,408	\$ -
Operations	234,886	72,350	-	307,236	-
Accrued interest	131,752	27,766	-	159,518	-
<u>Series 2013 Loan:</u>					
Principal	5,920,726	19,275	-	5,940,001	-
Accrued interest	913,637	410,905	-	1,324,542	-
	\$ 7,277,959	\$ 540,746	\$ -	\$ 7,818,705	\$ -

## BUFFALO HIGHLANDS METROPOLITAN DISTRICT

### Notes to Financial Statements December 31, 2017

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

#### Facilities Acquisition Agreement

On January 9, 2003, the District entered into a Facilities Acquisition Agreement (“FAA”) with Buffalo Highlands, LLC (“Original Developer”) whereby the Original Developer agreed to design, construct, and complete certain improvements for the District. The Original Developer agreed to advance funds up to \$14,000,000 for legal, engineering, and other customary services related to the organization of the District. Interest accrued from the date the expenses were incurred by the Original Developer until paid at a rate of eight percent (8%) per annum. No repayment was required of the District until the District had issued bonds. The termination date of the FAA was December 31, 2023. As of December 31, 2014, the District had received \$74,752 of advances under this agreement (the “Original FAA Reimbursement”).

Due to a change in the District’s primary developer to Stratus Buffalo Highlands, LLC (“Stratus”), on December 18, 2014, the District approved a Termination of Facilities Acquisition Agreement and Operation Funding Agreements.

On October 11, 2016, the District entered into a Facilities Funding, Reimbursement and Acquisition Agreement with Stratus Buffalo Highlands, LLC (the “Stratus FFRAA”), effective as of December 18, 2014, which acknowledges that in consideration for Stratus entering into the Stratus FFRAA, the Original FAA Reimbursement (plus interest) shall be payable to Stratus along with any present or future receivables by the District under the Stratus FFRAA. The Stratus FFRAA allows for either Stratus or the District to construct certain public improvements, including water, sanitation (including storm and sanitary sewer), street, safety protection, park and recreation, transportation, and other facilities and services as generally described in the Service Plan (together with any other public improvements to be constructed or acquired by the District, the “District Improvements”). The Stratus FFRAA also provides for Stratus’ agreement to advance the funds necessary for the District Improvements, legal, engineering, and other customary services related to the organization of the District, up to \$26,000,000. Amounts owing under the Stratus FFRAA shall bear interest at the rate of 8% per annum.

As of December 31, 2017, the District had received advances which shall be subject to the Stratus FFRAA (inclusive of the Original FAA Reimbursement) in the amount of \$87,408.

The District shall acquire the fully completed improvements upon receipt, review and approval by the District of the required documentation including an executed Bill of Sale. The improvements shall be dedicated as set forth in the District’s Service Plan and the District shall relinquish all rights to the improvements upon final acceptance by the City or other jurisdictions.

## BUFFALO HIGHLANDS METROPOLITAN DISTRICT

### Notes to Financial Statements December 31, 2017

#### Facilities Acquisition Agreement (96<sup>th</sup> Avenue)

On May 6, 2014, and as amended on September 22, 2015, the District entered into a Facilities Acquisition Agreement (96<sup>th</sup> Avenue) (“96<sup>th</sup> Ave FAA”) with the Original Developer whereby the Original Developer agrees to design, construct, and complete certain public improvements related to 96<sup>th</sup> Avenue for the benefit of the District (“Improvements”). Subject to the payment provisions set forth in the Loan Agreement and the Construction and Funding IGA, as amended and restated on October 1, 2014, (each described herein), and subject to the District’s receipt of a certificate from an independent engineer certifying that the construction costs are reasonable and eligible for reimbursement, the District agrees to periodically reimburse the Original Developer for expenses incurred to provide the Improvements up to an amended maximum of \$8,260,564 (i.e., \$6,180,000 loan from the City; \$380,564 from City Escrow Fund; and \$1,700,000 from City Solid Waste Fund). If actual Improvement costs exceed \$8,260,564, then the District may reimburse the Original Developer from available funds after the payment of the District’s annual debt service and operations and maintenance expenses.

Interest shall accrue from the date the Original Developer’s construction-related expenses are incurred until paid at a rate of eight percent (8%) per annum. Any obligation of the District to reimburse the Original Developer under the 96<sup>th</sup> Ave FAA is subject to annual appropriation and is subordinate to any bonds issued by the District. Any construction costs incurred by the Original Developer but not reimbursed by the District as of December 31, 2034, shall be deemed to be forever discharged and satisfied in full.

The District may acquire the fully completed Improvements upon receipt, review, and approval by the District of the required documentation set forth in the 96<sup>th</sup> Ave FAA. If acquired by the District, the District shall subsequently dedicate the Improvements to the appropriate accepting jurisdiction.

#### Operation Funding Agreement

On January 9, 2003, the District entered into an Operation Funding Agreement with the Original Developer. Annual Operation Funding Agreements for fiscal years 2004 through 2017 were also entered into between the District and the Original Developer (“OFAs”). Per the OFAs, the Original Developer agreed to advance the funds necessary to cover the District’s operations and maintenance expense shortfalls. Interest accrues on these advances from the date of the deposit into the District’s account at the rate of eight percent (8%) per annum. Any repayments are to be applied first to the accrued interest on the earliest outstanding advances and then to the earliest outstanding principal. As of December 31, 2015, the District had received \$151,887 of advances under the OFAs (the “Original OFA Reimbursement”).

# BUFFALO HIGHLANDS METROPOLITAN DISTRICT

## Notes to Financial Statements December 31, 2017

Due to a change in the District's primary developer, on December 18, 2014, the District approved a Termination of Facilities Acquisition Agreement and Operation Funding Agreements, and on December 18, 2014 (effective as of January 1, 2015), at the request of the Original Developer and Stratus, the District entered into a 2015 Operation Funding Agreement with Stratus (the "2015 OFA"). In consideration for Stratus entering into the 2015 OFA, and at the request of the Original Developer and Stratus, the 2015 Stratus OFA acknowledges that the Original OFA Reimbursement shall be payable to Stratus along with any present and future receivables by the District due and owing under the Stratus OFA. Per this agreement, Stratus assumed the District's prior advances.

Subsequent to year end 2017, the District approved a Second Amendment to 2017 Operation Funding Agreement with Stratus (the "2017 Stratus OFA"), with an effective date of January 1, 2017, whereby Stratus agrees to advance the funds necessary to cover the District's operations and maintenance expense shortfalls for the 2017 calendar year in an aggregate amount of \$75,000. Interest accrues on these advances from the date of deposit into the District account at the rate of 8% per annum.

At December 31, 2017, the District had received advances in the amount of \$307,235.

### Tri-Party Agreement

As contemplated by that certain Third Amendment to Agreement for Purchase and Sale of Real Property between Buffalo Highlands, LLC ("Original Developer" or "Seller") and Stratus Buffalo Highlands, LLC ("Stratus" or "Buyer") dated October 31, 2014 ("Third Amended PSA" and, together with the Purchase and Sale Agreement dated July 25, 2014, the First Amended Purchase and Sale Agreement dated August 6, 2014, and the Second Amended Purchase and Sale Agreement dated August 15, 2014, the "PSA"), on November 25, 2014, the District, the Original Developer, and Stratus entered into an Agreement ("Tri-Party Agreement").

The Tri-Party Agreement sets forth the terms and conditions upon which Stratus shall be entitled to any present and future receivables due and owing from the District to the Original Developer ("Receivables") under the FAA and the OFAs (described above), following their termination pursuant to that certain Termination of Facilities Acquisition Agreement and Operation Funding Agreements dated December 18, 2014. Under the Tri-Party Agreement, the Original Developer agrees to undertake and satisfy all obligations set forth in the Construction and Funding IGA (described in Note 5 herein) and to qualify three individuals identified by Stratus as eligible electors of the District ("Stratus Directors"). The District appointed the Stratus Directors to fill current vacancies on the District's Board of Directors to serve until the next regular election, which was held on May 5, 2016. As of the date of the Tri-Party Agreement, the Receivables due and owing to the Developer was \$252,619, to which Stratus shall be entitled pursuant to the 2015 Operation Funding Agreement between the District and Stratus (effective as of January 1, 2015), and the Stratus FFRAA discussed above.

## BUFFALO HIGHLANDS METROPOLITAN DISTRICT

### Notes to Financial Statements December 31, 2017

#### Loan Agreement

On July 16, 2013, the District entered a Loan Agreement with the City whereby the City agreed to extend a loan to the District in the stated principal amount of \$5,500,000, which amount was increased by \$680,000 to a total principal amount of \$6,180,000 (“Loan”) pursuant to that certain First Amendment to Loan Agreement between the District and the City dated December 18, 2014, and effective as of December 16, 2013 (as amended, the “Loan Agreement”). The Loan is evidenced in the form of a Promissory Note, Series 2013, in the amount of \$5,500,000, and a Promissory Note, Series 2014, in the amount of \$680,000. As of December 31, 2017, \$5,940,001 of the Loan was used for payment of construction expenses. The Loan matures on June 1, 2038. The obligations of the City to make each advance with respect to the Loan shall not be subject to annual appropriation by the City. Any unpaid principal amount of the Loan shall bear interest at the rate of six percent (6%) per annum. Interest payments are due on June 1 and December 1, beginning December 1, 2015, solely from any funds available. Interest on interest not paid when due shall compound annually. Principal payments shall be made on each December 1, solely from amounts available after the payment of the interest on the Loan. The amount of interest payable on each payment date shall be calculated by the District accountant. No loan interest payment was made during 2015, 2016 or 2017 due to the lack of available funds.

The Loan is payable from pledged revenue which includes (i) ad valorem taxes which has a 50.000 mill levy cap which can be adjusted to account for changes in law, (ii) road impact fees which are imposed and collected by the City, and (iii) any other funds the District defines as being available.

The Loan proceeds will be disbursed to the District pursuant to approval by the City of the requisitions submitted to the City along with the associated invoices and/or other contract documents provided by the Original Developer who performed the construction. The Loan proceeds will then be remitted to the Developer so it can pay the construction vendors.

On May 21, 2018, the City adopted Resolution No. 2018-46, Resolution Approving Terms for the Prepayment of the City’s Loan to Buffalo Highlands Metropolitan District for the Construction of 96<sup>th</sup> Avenue and Authorizing Actions related thereto (the “Resolution”), under which the City agreed to allow the District to prepay the Loan. Pursuant to the Resolution, the District, using proceeds from the anticipated 2018 bond issuance, will prepay the principal balance of the Loan, and \$300,000 in interest, no later than July 31, 2018. Upon payment of the Loan principal and interest, the Loan will be considered prepaid and will no longer constitute outstanding general obligation debt of the District.

# BUFFALO HIGHLANDS METROPOLITAN DISTRICT

## Notes to Financial Statements December 31, 2017

### Debt Authorization

As of December 31, 2017, the District had remaining voted debt authorization of \$609,820,000. The November 5, 2002 organization election authorized \$29,000,000 and the November 6, 2007 election authorized an additional \$113,000,000. At an election on May 6, 2014, the District's voted debt authorization was increased by an additional \$169,000,000. At an election on November 3, 2015, the District's voted debt authorization was increased by an additional \$305,000,000. In May 2015, the City of Commerce City Council approved an Amended and Restated Service Plan for the District which increased the District's debt issuance authorization from \$11,000,000 to \$25,000,000.

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.

### Note 5: District Agreements

#### Agreement Among the City of Commerce City, Buffalo Highlands LLC and C. Larson Family Farm, Inc. For the Construction and Funding of Certain Improvements to 96<sup>th</sup> Avenue and the Dedication of Certain Lands

On April 12, 2013, the District entered into an Agreement ("Construction and Funding IGA") among the City of Commerce City ("City"), Buffalo Highlands LLC ("Original Developer") and C. Larson Family Farm, Inc. ("Larson") for the construction and funding of certain improvements to 96<sup>th</sup> Avenue and the dedication of certain lands. The agreement outlines the requirements for the design, construction, management, inspection, and reimbursement for these improvements. Per this Construction and Funding IGA, the District is entitled to receive funds from the City including approximately \$350,000 from an Escrow Fund, \$500,000 from a Solid Waste Fund, \$5,500,000 in the form of a loan and any Road Impact Fees generated by the development. The Escrow Fund was established per an earlier agreement in 2004 and was funded through the collection of Park Fees by the City. The Solid Waste Fund was established with a contribution from the City. See Note 4 for discussions about the Loan and its amendment to \$6,180,000.

In April 2014, the District approved a First Amended and Restated Agreement Among the City of Commerce City, Buffalo Highlands LLC and C. Larson Family Farm, Inc. For the Construction and Funding of Certain Improvements to 96<sup>th</sup> Avenue and the Dedication of Certain Lands which clarified certain information regarding the development of the property and the construction of the improvements. This restated agreement identified the availability of approximately \$380,564 in the Escrow Fund, and in addition to the Road Impact Fees collected from builders within the Buffalo Highlands development, added disbursement to the District of the Road Impact Fees collected from the contractors pulling building permits along 96<sup>th</sup> Avenue.

## BUFFALO HIGHLANDS METROPOLITAN DISTRICT

### Notes to Financial Statements December 31, 2017

In October 2014, the District approved a Second Amended and Restated Agreement Among the City of Commerce City, Buffalo Highlands LLC and C. Larson Family Farm, Inc. For the Construction and Funding of Certain Improvements to 96<sup>th</sup> Avenue and the Dedication of Certain Lands which increased the City's potential contribution from its Solid Waste Fund to a minimum of \$1,700,000 and amended the language regarding the Road Impact Fees to be applied as a credit to the Loan (rather than a disbursement) and clarified that the property along 96<sup>th</sup> Avenue subject to such credit towards the Loan is that area between Nucla Street and Tower Road.

As of December 31, 2015, the District had received \$390,142 from the Escrow Fund and \$1,845,000 from the Solid Waste Fund. These funds were remitted to the Original Developer in order to pay the construction vendors.

#### Metropolitan District Cooperation Agreement.

The District, Lennar Colorado, LLC ("Lennar"), Meritage Homes of Colorado, Inc. ("Meritage"), and Stratus (each a "Party" and collectively the "Parties") entered into a Metropolitan District Cooperation Agreement effective as of December 28, 2016 (the "Cooperation Agreement"), whereby, within certain timeframes as outlined in the Agreement, the District agrees as follows: (i) the District shall operate in lieu of a homeowners association, and enforce certain covenants, conditions and restrictions (the "District Covenants") imposed upon property owned by Lennar and Meritage; (ii) upon conveyance from Stratus, the District shall own, operate, and maintain certain common area tracts platted on Buffalo Highlands Filing No. 1 (the "Tracts"); and (iii) subsequent to the conveyance of the Tracts, the District shall grant, as applicable, any easements reasonably requested in writing from Stratus, Lennar, and/or Meritage in connection with Status', Lennar's or Meritage's obligations to access the Tracts and construct and maintain improvements on the Tracts and property adjacent thereto.

#### Note 6: Tax, Spending and Debt Limitations

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

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

# BUFFALO HIGHLANDS METROPOLITAN DISTRICT

## Notes to Financial Statements December 31, 2017

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 5, 2002, a majority of the District's electors authorized the District to collect and spend or retain in a reserve all currently levied taxes and fees of the District without regard to any limitations under Article X, Section 20 of the Colorado Constitution.

### Note 7: Risk Management

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

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

### Note 8: Economic Dependency

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

BUFFALO HIGHLANDS METROPOLITAN DISTRICT

Notes to Financial Statements  
December 31, 2017

Note 9: Related Party

All of the members of the Board of Directors are employees, officers or are otherwise associated with the Original Developer or Stratus within the District and may have conflicts of interest in dealing with the District. Management believes that all potential conflicts, if any, have been disclosed.

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

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

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

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

- 1) governmental funds report capital outlays as expenditures; however, in the Statement of Activities, the costs of those assets are held as construction in process pending transfer to other governmental entities or depreciated over their useful lives;
- 2) governmental funds report interest expense on the modified accrual basis; however, interest expense is reported on the full accrual method on the Statement of Activities.
- 3) governmental funds report developer advances and loan proceeds as revenues; however, in the Statement of Activities, these are reported as increase in long-term liabilities.

# BUFFALO HIGHLANDS METROPOLITAN DISTRICT

## Notes to Financial Statements December 31, 2017

### Note 11: Subsequent Material Event:

In 2018, the District anticipates issuing Limited Tax (Convertible to Unlimited Tax) General Obligation Refunding and Improvements Bonds, Series 2018A (the “2018A Bonds”) and Subordinate Limited Tax General Obligation Refunding Bonds, Series 2018B (the “2018B Bonds”, and together with the 2018A Bonds, the “2018 Bonds”). The par amounts of the 2018 Bonds are to be determined, and the respective indentures for the 2018A and 2018B Bonds are yet to be finalized. Thus, this description of the 2018 Bonds is a summary of the anticipated issuance, and may change pursuant to the final indentures and other bond documents.

Proceeds of the 2018A Senior Bonds are anticipated to be used to; (i) finance or reimburse the costs of public improvements; (ii) prepay a portion of the City Loan; (iii) pay capitalized interest on the 2018A Senior Bonds; (iv) fund the 2018A Surplus Fund; and (v) pay other costs in connection with the issuance of the 2018A Senior Bonds and the 2018B Subordinate Bonds. Proceeds of the 2018B Subordinate Bonds are anticipated to be used to: (i) prepay a portion of the City Loan; and (ii) pay other costs in connection with the issuance of the 2018B Subordinate Bonds.

The 2018A Bonds are anticipated to be secured by the Senior Required Mill Levy (as that term will be defined in the indenture for the 2018A Bonds), which is anticipated to be 43.497 mills (subject to adjustments for changes in assessed valuation after January 1, 2002), until the Conversion Date (as that term will be defined in the indenture for the 2018A Bonds), at which point the District may impose an unlimited mill levy.

The 2018B Bonds are anticipated to be secured by the Subordinate Required Mill Levy (as that term will be defined in the indenture for the 2018B Bonds), which is: (i) 43.497 mills less the Senior Obligation Mill Levy (as that term will be defined in the indenture for the 2018B Bonds); or (ii) such lesser amount that will generate Subordinate Property Tax Revenues (as that term will be defined in the indenture for the 2018B Bonds) which, when combined with moneys then on deposit in the Subordinate Bond Fund (as that term will be defined in the indenture for the 2018B Bonds), will pay the 2018B Bonds in full for the year the payment is due.

SUPPLEMENTAL INFORMATION

**BUFFALO HIGHLANDS METROPOLITAN DISTRICT**

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

For the Year Ended December 31, 2017

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES				
Property taxes	\$ 4,159	\$ 4,159	\$ 4,160	\$ 1
Specific ownership taxes	550	550	428	(122)
Miscellaneous income	<u>-</u>	<u>16,454</u>	<u>-</u>	<u>(16,454)</u>
Total Revenues	<u>4,709</u>	<u>21,163</u>	<u>4,588</u>	<u>(16,575)</u>
EXPENDITURES				
Interest on loan	13,484	29,938	-	(29,938)
Treasurer's fees	<u>62</u>	<u>62</u>	<u>62</u>	<u>-</u>
Total Expenditures	<u>13,546</u>	<u>30,000</u>	<u>62</u>	<u>(29,938)</u>
NET CHANGE IN FUND BALANCE	(8,837)	(8,837)	4,526	(46,513)
FUND BALANCE:				
BEGINNING OF YEAR	<u>8,837</u>	<u>8,837</u>	<u>24,928</u>	<u>16,091</u>
END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,454</u>	<u>\$ (30,422)</u>

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

**BUFFALO HIGHLANDS METROPOLITAN DISTRICT**

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

For the Year Ended December 31, 2017

	Original & Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
EXPENDITURES			
Accounting	\$ 500	\$ -	\$ 500
Legal	20,000	2,711	17,289
Management	3,500	432	3,068
96th Avenue Project	<u>-</u>	<u>665</u>	<u>(665)</u>
Total Expenditures	<u>24,000</u>	<u>3,808</u>	<u>20,192</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES			
	(24,000)	(3,808)	20,192
OTHER FINANCING SOURCES (USES)			
Developer advances	<u>24,000</u>	<u>10,450</u>	<u>(13,550)</u>
Total Other Financing Sources (Uses)	<u>24,000</u>	<u>10,450</u>	<u>(13,550)</u>
NET CHANGE IN FUND BALANCE			
	-	6,642	6,642
FUND BALANCE:			
BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>
END OF YEAR	<u>\$ -</u>	<u>\$ 6,642</u>	<u>\$ 6,642</u>

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