

CATHEDRAL PINES METROPOLITAN DISTRICT

FINANCIAL STATEMENTS

DECEMBER 31, 2017

E

RECEIVED

Office of the State Auditor

July 31, 2018

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	1
BASIC FINANCIAL STATEMENTS	
Government-wide financial statements:	
Statement of net position	5
Statement of activities	6
Fund financial statements:	
Balance sheets - governmental funds	8
Statements of revenues, expenditures and changes in fund balances - governmental funds	9
Reconciliation of the statements of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities	11
General fund - statement of revenues, expenditures and changes in fund balance - budget and actual	12
Notes to financial statements	13
SUPPLEMENTARY INFORMATION	
Debt service fund - statement of revenues, expenditures and changes in fund balance - budget and actual	26



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Cathedral Pines Metropolitan District
Colorado Springs, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Cathedral Pines Metropolitan District ("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 from material misstatement.

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

We believe 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 District as of December 31, 2017, 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 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 which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information, as identified 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.

BiggsKofford, P.C.

Colorado Springs, Colorado
July 31, 2018

THIS PAGE INTENTIONALLY BLANK

BASIC FINANCIAL STATEMENTS

CATHEDRAL PINES METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2017

	Governmental Activities
<u>ASSETS</u>	
Cash and investments	\$ 28,221
Cash and investments - restricted	109,801
Accounts receivable - County Treasurer	4,213
Property taxes receivable	457,471
Capital assets:	
Capital assets, net	1,346,187
Total assets	1,945,893
<u>LIABILITIES</u>	
Accounts payable	18,570
Accrued liabilities	23,350
Accrued interest payable	18,738
Noncurrent liabilities:	
Bonds payable - due within one year	60,000
Bonds payable - due in more than one year	4,988,560
Total liabilities	5,109,218
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Deferred tax revenues	457,471
Total deferred inflows of resources	457,471
<u>NET POSITION</u>	
Invested in capital assets, net of related debt	(893,474)
Restricted for:	
Debt service	91,063
Emergency reserve	11,384
Unrestricted	(2,829,769)
Total net position	\$ (3,620,796)

The accompanying notes and independent auditor's report
should be read with this financial statement.

CATHEDRAL PINES METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017

		Program Revenues			Net Revenue and Change in Net position of Primary Government - Governmental Activities
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
FUNCTIONS/PROGRAMS					
PRIMARY GOVERNMENT:					
General government	\$ 454,069	\$ -	\$ -	\$ -	\$ (454,069)
Fire damage and reimbursements	-	-	5,250	-	5,250
Interest and related costs on long-term debt	227,974	-	-	-	(227,974)
Total primary government	\$ 682,043	\$ -	\$ 5,250	\$ -	(676,793)
GENERAL REVENUES:					
Property taxes					402,084
Specific ownership taxes					54,475
HOA reimbursements					9,960
Rental income					131,955
Investment earnings					829
Total general revenues					599,303
Changes in net position					(77,490)
Net position, beginning of year					(3,543,306)
Net position, end of year					\$ (3,620,796)

The accompanying notes and independent auditor's report
should be read with this financial statement.

THIS PAGE INTENTIONALLY BLANK

CATHEDRAL PINES METROPOLITAN DISTRICT
BALANCE SHEETS
GOVERNMENTAL FUNDS
DECEMBER 31, 2017

	General Fund	Debt Service Fund	Total Governmental Funds
<u>ASSETS</u>			
Cash and investments	\$ 28,221	\$ -	\$ 28,221
Cash and investments - restricted	-	109,801	109,801
Accounts receivable - County Treasurer	4,213	-	4,213
Property taxes receivable	144,131	313,340	457,471
Other receivables	-	-	-
Total assets	\$ 176,565	\$ 423,141	599,706
<u>LIABILITIES</u>			
Accounts payable	18,570	-	18,570
Accrued liabilities	23,350	-	23,350
Total liabilities	41,920	-	41,920
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred tax revenues	144,131	313,340	457,471
Total deferred inflows of resources	144,131	313,340	457,471
<u>FUND BALANCES</u>			
Restricted for:			
Debt service	-	109,801	109,801
Emergency reserve	11,384	-	11,384
Unassigned:			
General government	(20,870)	-	(20,870)
Total fund balances	(9,486)	109,801	100,315
Total liabilities, deferred inflows of resources and fund balances	\$ 176,565	\$ 423,141	

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

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

Capital assets, net	1,346,187
Long-term liabilities, including developer advances payable and bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	
Bonds payable	(5,048,560)
Accrued interest payable	(18,738)
Net position of governmental activities	\$ (3,620,796)

The accompanying notes and independent auditor's report
should be read with this financial statement.

CATHEDRAL PINES METROPOLITAN DISTRICT
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2017

	General Fund	Debt Service Fund	Total Governmental Funds
<u>REVENUES</u>			
Property taxes	\$ 126,684	\$ 275,400	\$ 402,084
Specific ownership taxes	54,475	-	54,475
Reimbursements	9,960	-	9,960
Rental income	131,955	-	131,955
Fire and flood FEMA and reimbursements	5,250	-	5,250
Net investment income	130	699	829
Total revenues	328,454	276,099	604,553
<u>EXPENDITURES</u>			
Current:			
Accounting	18,000	-	18,000
Bank charges	6	-	6
Cleaning	1,350	-	1,350
Event expense	41,028	-	41,028
Insurance	9,138	-	9,138
Landscape maintenance	78,256	-	78,256
Licenses and fees	1,902	4,536	6,438
Management expense	32,000	-	32,000
Office expense	1,101	-	1,101
Payroll taxes	1,927	-	1,927
Professional fees	16,416	-	16,416
Repairs and maintenance	94,960	-	94,960
Salaries	22,535	-	22,535
Security	2,959	-	2,959
Snow removal	16,280	-	16,280
Telephone	1,338	-	1,338
Trash	5,400	-	5,400
Utilities	34,864	-	34,864
Debt service:			
Bond principal	-	90,000	90,000
Interest expense	-	227,974	227,974
Total expenditures	379,460	322,510	701,970
Excess of expenditures over revenues	(51,006)	(46,411)	(97,417)

The accompanying notes and independent auditor's report
should be read with this financial statement.

CATHEDRAL PINES METROPOLITAN DISTRICT
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2017

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers in (out)	(407)	407	-
Total other financing sources (uses)	(407)	407	-
Net change in fund balances	(51,413)	(46,004)	(97,417)
Fund balances, beginning of year	41,927	155,805	197,732
Fund balances, end of year	<u>\$ (9,486)</u>	<u>\$ 109,801</u>	<u>\$ 100,315</u>

The accompanying notes and independent auditor's report
should be read with this financial statement.

CATHEDRAL PINES METROPOLITAN DISTRICT
RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017

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

Net change in fund balances - total governmental funds	\$	(97,417)
---	----	----------

The issuance of debt provides current financial resources to government funds, while the repayment of debt principal consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

Principal payment on bonds payable		90,000
------------------------------------	--	--------

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.

Depreciation expense		(89,611)
Amortization of bond premium		19,538

Changes in net position of governmental activities	\$	(77,490)
---	-----------	-----------------

The accompanying notes and independent auditor's report
should be read with this financial statement.

CATHEDRAL PINES METROPOLITAN DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>REVENUES</u>				
Property taxes	\$ 126,684	\$ 126,684	\$ 126,684	\$ -
Specific ownership taxes	25,657	49,015	54,475	5,460
Reimbursements	9,960	9,960	9,960	-
Rental income	148,360	127,495	131,955	4,460
Fire and flood FEMA and reimbursement	68,828	5,250	5,250	-
Net investment income	240	240	130	(110)
Total revenues	<u>379,729</u>	<u>318,644</u>	<u>328,454</u>	<u>9,810</u>
<u>EXPENDITURES</u>				
Current:				
Accounting	18,000	18,000	18,000	-
Bank charges	30	-	6	(6)
Cleaning	2,000	1,600	1,350	250
Event expense	47,000	47,000	41,028	5,972
Insurance	16,000	7,500	9,138	(1,638)
Landscape maintenance	34,000	74,828	78,256	(3,428)
Licenses and fees	1,940	1,902	1,902	-
Management expense	30,000	30,000	32,000	(2,000)
Office expense	1,925	1,925	1,101	824
Payroll taxes	1,800	1,927	1,927	-
Professional fees	17,750	10,031	16,416	(6,385)
Repairs and maintenance	79,929	153,990	94,960	59,030
Salaries	21,000	22,535	22,535	-
Security	1,880	3,276	2,959	317
Snow removal	10,000	17,630	16,280	1,350
Telephone	1,350	1,350	1,338	12
Trash	4,300	4,954	5,400	(446)
Utilities	33,500	34,136	34,864	(728)
Total expenditures	<u>322,404</u>	<u>432,584</u>	<u>379,460</u>	<u>53,124</u>
Excess of revenues over expenditures	<u>57,325</u>	<u>(113,940)</u>	<u>(51,006)</u>	<u>62,934</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in (out)	-	-	(407)	(407)
Total other financing uses	-	-	(407)	(407)
Net change in fund balance	<u>\$ 57,325</u>	<u>\$ (113,940)</u>	<u>(51,413)</u>	<u>\$ 62,527</u>
Fund balance, beginning of year			41,927	
Fund balance, end of year			<u>\$ (9,486)</u>	

The accompanying notes and independent auditor's report
should be read with this financial statement.

CATHEDRAL PINES METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

1. DEFINITION OF REPORTING ENTITY

Cathedral Pines Metropolitan District ("District"), a quasi-municipal corporation, is governed pursuant to the provisions of the Colorado Special District Act. The District was formed in 2004 to provide parks and recreation, street improvements, storm sewer, flood, and surface drainage maintenance for the Cathedral Pines community which is located in El Paso County, Colorado ("County"). The District is governed by an elected, five-member board of directors, which is the policy making body of 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 organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's reporting entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

The statement of net position reports all financial and capital resources of the District. The difference between the assets plus deferred outflow of resources and liabilities plus deferred inflow of resources of the District is reported as net position.

The statement of activities demonstrates the degree to which the direct 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.

See independent auditor's report

CATHEDRAL PINES METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-wide and fund financial statements (continued)

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

Measurement focus, basis of accounting and financial statement position

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 collectable 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 intergovernmental revenue. 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:

General fund - The general fund is used to account for all financial resources of the District except those required to be accounted for in another fund.

Debt service fund - The debt service fund accounts for the servicing of general long-term debt and revenues generated and received by the District that are required to be used in payment of long-term debt.

Budgets

In accordance with 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 and other financing uses level and lapses at year-end. The District's board of directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

See independent auditor's report

CATHEDRAL PINES METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pooled cash and investments

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

Property taxes

Property taxes are levied by the District's board of directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 and attaches as an enforceable lien 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, at the taxpayer's election, in February and June in equal installments. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected to the District monthly.

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

Capital assets

Capital assets, which include parks, trails and monuments, community building and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with initial individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized.

Depreciation expense has been computed using the straight-line method over the estimated economic useful lives of the assets, which range from five to 30 years.

Maintenance and repairs are charged to expense as incurred. At the time of retirement or disposition of depreciable assets, the related cost and accumulated depreciation are removed from the accounts, and the resulting gain or loss is reflected in revenues or expenses.

See independent auditor's report

CATHEDRAL PINES METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred inflows of resources

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Accordingly, the item incremental property tax revenue is deferred and recognized as an inflow of resources in the period that the amounts become available.

Equity

Net position

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

Fund balance

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

Nonspendable fund balance - The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or is legally or contractually required to be maintained intact.

Restricted fund balance - The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.

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

Assigned fund balance - The portion of fund balance that is constrained by the government's intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the board of directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.

Unassigned fund balance - The residual portion of fund balance that does not meet any of the criteria described above.

See independent auditor's report

CATHEDRAL PINES METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity (continued)

Fund balance (continued)

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

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	\$ 28,221
Cash and investments - restricted	<u>109,801</u>
	<u><u>\$ 138,022</u></u>

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

Deposits with financial institutions	\$ 28,221
Investments	<u>109,801</u>
	<u><u>\$ 138,022</u></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. The 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 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.

As of December 31, 2017, District #1's cash deposits had a bank balance of \$54,304 and a book balance of \$28,221.

See independent auditor's report

CATHEDRAL PINES METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

3. CASH AND INVESTMENTS (CONTINUED)

Investments

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

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

Colorado revised statutes limit investment maturities to five years or less unless otherwise formally approved by the board of directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

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

- Obligations of the United States and certain United States government agency securities
- Certain international agency securities
- General obligation and revenue bonds of United States local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certificates of deposit in Colorado PDPA approved banks or savings banks
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

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

See independent auditor's report

CATHEDRAL PINES METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017 was as follows:

	Balance 1/1/17	Additions/ Reclass- ifications	Dispositions/ Reclass- ifications	Balance 12/31/17
Community building	1,328,384	\$ -	\$ -	\$ 1,328,384
Parks, trails and monuments	897,355	-	-	897,355
Equipment	13,922	-	-	13,922
Less: accumulated depreciation	(803,863)	(89,611)	-	(893,474)
Capital assets, net	<u>\$ 1,435,798</u>	<u>\$ (89,611)</u>	<u>\$ -</u>	<u>\$ 1,346,187</u>

Depreciation expense for the year ended December 31, 2017 totaled \$89,611.

5. LONG-TERM OBLIGATIONS

2016 Series Bonds

On July 26, 2016, the District issued general obligation refunding bonds in the aggregate principal amount of \$4,660,000, plus an original issue premium of \$414,882, and less the underwriter's discount of \$30,000. The bonds bear interest at the rates set forth below, calculated on the basis of a 360-day year of twelve 30-day months, payable semi-annually on each June 1 and December 1, commencing on December 1, 2016, and mature on December 1 in the years and amounts as follows:

<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2021	\$ 250,000	2.625%
2026	415,000	4.000%
2031	580,000	5.000%
2037	1,010,000	5.000%
2046	2,405,000	5.000%

The bonds are subject to redemption prior to maturity at the discretion of the District, as a whole or in integral multiples of \$5,000, in any order of maturity and in whole or partial maturities, on December 1, 2026 or on any date thereafter, upon payment of par and accrued interest, without redemption premium. The bonds are subject to mandatory sinking fund redemption requirements beginning in 2018.

See independent auditor's report

CATHEDRAL PINES METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

5. LONG-TERM OBLIGATIONS (CONTINUED)

2016 Series Bonds (continued)

The bonds are secured and payable from pledged revenue, consisting of monies derived by (1) the required mill levy of a minimum of 28.50 mills, or such lesser mill levy which, when combined with other pledged revenue then held in the bond fund, will permit the District to fully fund the bond fund for the next bond year and pay the bonds as they come due, and to fund the surplus fund up to maximum surplus amount; and (2) any other legally available monies which the District determines in its absolute discretion, to transfer to the trustee for application as pledged revenue.

The District is required, pursuant to the bond agreements, to maintain bond and surplus cash accounts. The purpose of the surplus cash account is to provide adequate reserves to meet principal and interest requirements if the bond account does not have enough funding. The surplus account is required to be maintained as long as the bonds are outstanding.

The following is a summary of changes in 2008 Series Bonds of the District during the year ended December 31, 2017:

	<u>Balance 1/1/17</u>	<u>Additions</u>	<u>Repayments/ Defeasance</u>	<u>Balance 12/31/17</u>	<u>Due within one year</u>
Series 2008 General Obligation Bonds	\$ 90,000	\$ -	\$ (90,000)	\$ -	\$ -
Series 2016 General Obligation Refunding Bonds	4,660,000	-	-	4,660,000	60,000
Unamortized portion of premium	<u>408,098</u>	<u>-</u>	<u>(19,538)</u>	<u>388,560</u>	<u>-</u>
	<u><u>\$ 5,158,098</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (109,538)</u></u>	<u><u>\$ 5,048,560</u></u>	<u><u>\$ 60,000</u></u>

See independent auditor's report

CATHEDRAL PINES METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

5. LONG-TERM OBLIGATIONS (CONTINUED)

2016 Series Bonds (continued)

Annual requirements to amortize the 2016 Series Bonds are as follows:

Year Ending December 31,	Principal	Interest	Total
2018	\$ 60,000	\$ 222,913	\$ 282,913
2019	60,000	221,338	281,338
2020	65,000	219,763	284,763
2021	65,000	218,056	283,056
2022	75,000	216,350	291,350
2023-2027	440,000	1,033,950	1,473,950
2028-2032	625,000	915,500	1,540,500
2033-2037	865,000	736,500	1,601,500
2038-2042	1,175,000	490,500	1,665,500
2043-2046	1,230,000	158,250	1,388,250
Total	<u>\$ 4,660,000</u>	<u>\$ 4,433,119</u>	<u>\$ 9,093,119</u>

Developer advances

The District entered into a reimbursement agreement ("Agreement") with the developer under which the District agreed to reimburse the developer for operations and maintenance expenses and capital advances made on behalf of the District. The District agreed to repay the developer advances along with accrued interest at a rate of 5.625% per annum. As of December 31, 2017, all developer advances and related accrued interest were repaid in full.

6. NET POSITION

The District has net position consisting of three components - invested in capital assets, net of related debt; restricted; and unrestricted.

Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by the outstanding balance of debt that is attributable to the acquisition, construction, or improvement of those assets.

See independent auditor's report

CATHEDRAL PINES METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

6. NET POSITION (CONTINUED)

As of December 31, 2017, the District had net position invested in capital assets, net of related debt as follows:

Invested in capital assets, net of related debt:

Capital assets, net	\$ 1,346,187
Related debt	<u>(2,239,661)</u>

Invested in capital assets, net of related debt	<u>\$ (893,474)</u>
---	---------------------

Restricted net position includes the net position that is restricted for use either by external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had a restricted net position of as of December 31, 2017 as follows:

Restricted net position:

Debt service (see Note 5)	91,063
Emergencies (see Note 8)	<u>\$ 11,384</u>
	<u>\$ 102,447</u>

The District's unrestricted net position as of December 31, 2017 totaled a deficit of \$2,829,769. This deficit amount was a result of the District being responsible for the repayment of general obligation bonds. These bonds were issued to refinance prior debt and to fund the costs of certain public improvements within the District. These improvements are contributed to the County upon completion.

7. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God.

The District carries insurance to mitigate these risks including property, liability, public officials liability and workers compensation coverage.

8. TAX, SPENDING AND DEBT LIMITATIONS

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

Spending and revenue limits are determined based on the prior 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. Revenues in excess of the fiscal year spending limit must be refunded unless the voters approve retention of such revenues. The District's voters approved a ballot issue allowing the District to retain all revenues.

See independent auditor's report

CATHEDRAL PINES METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

8. TAX, SPENDING AND DEBT LIMITATIONS (CONTINUED)

TABOR requires local governments to establish emergency reserves. These reserves must be at least 3% of fiscal year spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate fiscal year spending limits, will likely require judicial interpretation.

* * * * *

See independent auditor's report

SUPPLEMENTARY INFORMATION

THIS PAGE INTENTIONALLY BLANK

CATHEDRAL PINES METROPOLITAN DISTRICT
DEBT SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>REVENUES</u>				
Property taxes	\$ 275,400	\$ 275,400	275,400	\$ -
Specific ownership taxes	-	2,686	-	(2,686)
Net investment income	750	750	699	(51)
Total revenues	<u>276,150</u>	<u>278,836</u>	<u>276,099</u>	<u>(2,737)</u>
<u>EXPENDITURES</u>				
Current:				
Bond principal	90,000	90,000	90,000	-
Contingency	850	-	-	-
Interest expense	227,976	227,976	227,974	2
Licenses and fees	4,531	4,536	4,536	-
Total expenditures	<u>323,357</u>	<u>322,512</u>	<u>322,510</u>	<u>2</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfer out	-	-	407	407
Total other financing sources	<u>-</u>	<u>-</u>	<u>407</u>	<u>407</u>
Net change in fund balance	<u>\$ (47,207)</u>	<u>\$ (43,676)</u>	<u>\$ (46,004)</u>	<u>\$ (3,146)</u>
Fund balance, beginning of year			155,805	
Fund balance, end of year			<u>\$ 109,801</u>	

See independent auditor's report.