

CHERRY CREEK SOUTH METROPOLITAN  
DISTRICT NO. 1

Financial Statements

Year Ended December 31, 2017

with

Independent Auditors' Report

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Office of the State Auditor

September 28, 2018

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Cherry Creek South Metropolitan District No. 1  
Douglas County, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of Cherry Creek South Metropolitan District No. 1 (the 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 Cherry Creek South Metropolitan District No. 1, as of December 31, 2017, and the respective changes in financial position thereof, and the budgetary comparison for the general fund and special revenue fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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**Fiscal Focus Partners, LLC**

## **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, 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 the District's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of legal compliance and additional analysis and is not a required part of the 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. The 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Fiscal Focus Partners, LLC*

Lakewood, Colorado  
September 28, 2018

**CHERRY CREEK SOUTH METROPOLITAN DISTRICT NO. 1**

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

	<u>General</u>	<u>Debt Service</u>	<u>Special Revenue</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
<b>ASSETS</b>						
Cash and investments	\$ 248,927	\$ -	\$ -	\$ 248,927	\$ -	\$ 248,927
Cash and investments - restricted	4,516	135,492	1,135,575	1,275,583	-	1,275,583
Accounts receivable - recreation	-	-	540,273	540,273	-	540,273
Receivable - County Treasurer	6,015	-	-	6,015	-	6,015
Property taxes receivable	84,310	759,977	-	844,287	-	844,287
Capital assets not being depreciated	-	-	-	-	2,373,158	2,373,158
Capital assets, net of accumulated depreciation	-	-	-	-	<u>1,004,219</u>	<u>1,004,219</u>
Total Assets	<u>343,768</u>	<u>895,469</u>	<u>1,675,848</u>	<u>2,915,085</u>	<u>3,377,377</u>	<u>6,292,462</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred loss on refunding	-	-	-	-	28,653	28,653
Total Deferred Outflows of Resources	-	-	-	-	<u>28,653</u>	<u>28,653</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 343,768</u>	<u>\$ 895,469</u>	<u>\$ 1,675,848</u>	<u>\$ 2,915,085</u>		
<b>LIABILITIES</b>						
Accounts payable	\$ 146	\$ -	\$ 10,023	\$ 10,169	-	10,169
Prepaid assessments	-	-	34,347	34,347	-	34,347
Accrued interest on bonds	-	-	-	-	1,893	1,893
Long-term liabilities						
Due within one year	-	-	-	-	705,000	705,000
Due in more than one year	-	-	-	-	<u>1,470,000</u>	<u>1,470,000</u>
Total Liabilities	<u>146</u>	<u>-</u>	<u>44,370</u>	<u>44,516</u>	<u>2,176,893</u>	<u>2,221,409</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred fees	-	-	496,900	496,900	-	496,900
Deferred property taxes	<u>84,310</u>	<u>759,977</u>	<u>-</u>	<u>844,287</u>	<u>-</u>	<u>844,287</u>
Total Deferred Inflows of Resources	<u>84,310</u>	<u>759,977</u>	<u>496,900</u>	<u>1,341,187</u>	<u>-</u>	<u>1,341,187</u>
<b>FUND BALANCES</b>						
Fund Balances:						
Restricted:						
Emergencies	4,516	-	-	4,516	(4,516)	-
Debt service	-	135,492	-	135,492	(135,492)	-
Committed:						
Recreation Center and Landscape replacements	-	-	1,134,578	1,134,578	(1,134,578)	-
Unassigned	<u>254,796</u>	<u>-</u>	<u>-</u>	<u>254,796</u>	<u>(254,796)</u>	<u>-</u>
Total Fund Balances	<u>259,312</u>	<u>135,492</u>	<u>1,134,578</u>	<u>1,529,382</u>	<u>(1,529,382)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 343,768</u>	<u>\$ 895,469</u>	<u>\$ 1,675,848</u>	<u>\$ 2,915,085</u>		
<b>NET POSITION</b>						
Net investment in capital assets					1,202,377	1,202,377
Restricted for:						
Emergencies					4,516	4,516
Debt service					133,599	133,599
Unrestricted					<u>1,418,027</u>	<u>1,418,027</u>
Total Net Position					<u>\$ 2,758,519</u>	<u>\$ 2,758,519</u>

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

## CHERRY CREEK SOUTH METROPOLITAN DISTRICT NO. 1

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

For the Year Ended December 31, 2017

	<u>General</u>	<u>Debt Service</u>	<u>Special Revenue</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>EXPENDITURES</b>						
General government:						
Audit	\$ 5,949	\$ -	\$ -	\$ 5,949	\$ -	\$ 5,949
Insurance	1,238	-	-	1,238	-	1,238
Parker Water and Sanitation IGA	64,549	-	-	64,549	-	64,549
Treasurer's fees	1,200	11,100	-	12,300	-	12,300
Miscellaneous expenses	13	-	-	13	-	13
Debt service:						
Loan principal	-	675,000	-	675,000	(675,000)	-
Loan interest expense	-	59,525	-	59,525	9,099	68,624
Paying agent/trustee fees	-	2,000	-	2,000	-	2,000
Parks and recreation:						
Parks and recreation	-	-	948,298	948,298	-	948,298
Capital improvements	-	-	38,291	38,291	(9,379)	28,912
Depreciation	-	-	-	-	144,472	144,472
Total Expenditures	<u>72,949</u>	<u>747,625</u>	<u>986,589</u>	<u>1,807,163</u>	<u>(530,808)</u>	<u>1,276,355</u>
<b>PROGRAM REVENUES</b>						
Conservation trust proceeds	20,806	-	-	20,806	-	20,806
Assessments and service revenue	-	-	850,176	850,176	-	850,176
Activity income	-	-	94,020	94,020	-	94,020
Late, legal, penalties, other	-	-	22,409	22,409	-	22,409
Working capital	-	-	75	75	-	75
Miscellaneous income	-	-	369	369	-	369
Total Program Revenues	<u>20,806</u>	<u>-</u>	<u>967,049</u>	<u>987,855</u>	<u>-</u>	<u>987,855</u>
Net Program Income (Expense)	(52,143)	(747,625)	(19,540)	(819,308)	530,808	(288,500)
<b>GENERAL REVENUES</b>						
Property taxes	79,955	739,556	-	819,511	-	819,511
Specific ownership taxes	89,793	-	-	89,793	-	89,793
Interest income	474	4,294	4,902	9,670	-	9,670
Total General Revenues	<u>170,222</u>	<u>743,850</u>	<u>4,902</u>	<u>918,974</u>	<u>-</u>	<u>918,974</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>						
	118,079	(3,775)	(14,638)	99,666	530,808	630,474
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfer (to) from other funds	(80,000)	-	80,000	-	-	-
Total Other Financing Sources (Uses)	<u>(80,000)</u>	<u>-</u>	<u>80,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>						
	38,079	(3,775)	65,362	99,666	(99,666)	
<b>CHANGE IN NET POSITION</b>						
					630,474	630,474
<b>FUND BALANCE/NET POSITION (DEFICIT):</b>						
BEGINNING OF YEAR	<u>221,233</u>	<u>139,267</u>	<u>1,069,216</u>	<u>1,429,716</u>	<u>698,329</u>	<u>2,128,045</u>
END OF YEAR	<u>\$ 259,312</u>	<u>\$ 135,492</u>	<u>\$ 1,134,578</u>	<u>\$ 1,529,382</u>	<u>\$ 1,229,137</u>	<u>\$ 2,758,519</u>

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

# CHERRY CREEK SOUTH METROPOLITAN DISTRICT NO. 1

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

For the Year Ended December 31, 2017

	Original & Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
<b>REVENUES</b>			
Property taxes	\$ 79,970	\$ 79,955	\$ (15)
Specific ownership taxes	65,903	89,793	23,890
Interest income	-	474	474
Conservation trust proceeds	<u>20,006</u>	<u>20,806</u>	<u>800</u>
 Total Revenues	 <u>165,879</u>	 <u>191,028</u>	 <u>25,149</u>
 <b>EXPENDITURES</b>			
Audit	6,000	5,949	51
Insurance	1,160	1,238	(78)
Parker Water and Sanitation IGA	62,000	64,549	(2,549)
Treasurer's fees	1,200	1,200	-
Miscellaneous expenses	100	13	87
Contingency	222,841	-	222,841
Emergency reserve	<u>4,514</u>	<u>-</u>	<u>4,514</u>
 Total Expenditures	 <u>297,815</u>	 <u>72,949</u>	 <u>224,866</u>
 <b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	  (131,936)	  118,079	  250,015
 <b>OTHER FINANCING SOURCES (USES)</b>			
Transfer (to) from other funds	<u>(80,000)</u>	<u>(80,000)</u>	<u>-</u>
 Total Other Financing Sources (Uses)	 <u>(80,000)</u>	 <u>(80,000)</u>	 <u>-</u>
 <b>NET CHANGE IN FUND BALANCES</b>	  (211,936)	  38,079	  250,015
 <b>FUND BALANCE:</b>			
BEGINNING OF YEAR	<u>211,936</u>	<u>221,233</u>	<u>9,297</u>
END OF YEAR	<u>\$ -</u>	<u>\$ 259,312</u>	<u>\$ 259,312</u>

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

# CHERRY CREEK SOUTH METROPOLITAN DISTRICT NO. 1

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

For the Year Ended December 31, 2017

	Original & Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
<b>REVENUES</b>			
Assessments and service revenue	\$ 850,176	\$ 850,176	\$ -
Activity income	58,000	94,020	36,020
Late, legal, penalties, other	20,000	22,409	2,409
Working capital	-	75	75
Miscellaneous income	-	369	369
Interest income	-	4,902	4,902
	<u>          </u>	<u>          </u>	<u>          </u>
Total Revenues	<u>928,176</u>	<u>971,951</u>	<u>43,775</u>
<b>EXPENDITURES</b>			
Parks and recreation	990,000	948,298	41,702
Capital improvements	150,000	38,291	111,709
Replacement reserve	929,024	-	929,024
	<u>          </u>	<u>          </u>	<u>          </u>
Total Expenditures	<u>2,069,024</u>	<u>986,589</u>	<u>1,082,435</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(1,140,848)	(14,638)	1,126,210
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer (to) from other funds	80,000	80,000	-
	<u>          </u>	<u>          </u>	<u>          </u>
Total Other Financing Sources (Uses)	<u>80,000</u>	<u>80,000</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	(1,060,848)	65,362	1,126,210
<b>FUND BALANCE:</b>			
BEGINNING OF YEAR	<u>1,060,848</u>	<u>1,069,216</u>	<u>8,368</u>
END OF YEAR	<u>\$ -</u>	<u>\$ 1,134,578</u>	<u>\$ 1,134,578</u>

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



# CHERRY CREEK SOUTH METROPOLITAN DISTRICT NO. 1

## Notes to Financial Statements December 31, 2017

### Note 1: Summary of Significant Accounting Policies

The accounting policies of the Cherry Creek South Metropolitan District No. 1, located in Douglas 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 June 14, 1985, as a quasi-municipal corporation established under the State of Colorado Special District Act. The District’s service area is located entirely within the Town of Parker (“Town”). The District was established to provide water, sewer and street improvements, safety protection, park and recreational services and improvements, mosquito control services, and television relay and translator facilities. By agreement, upon completion, the District dedicated and transferred certain facilities to the Town or to Parker Water and Sanitation District (“PWSD”), for maintenance and operation (See Note 5). When the facilities are complete and all bonds issued by the District are paid or defeased, the Town may request dissolution of the District. The District’s primary revenues are property taxes and assessments/service revenue. 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 employees for services related to the special revenue fund. All other operations and administrative functions are contracted.

# CHERRY CREEK SOUTH METROPOLITAN DISTRICT NO. 1

## Notes to Financial Statements December 31, 2017

### Basis of Presentation

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

The government-wide financial statements (i.e. the governmental funds balance sheet/statement of net position and the statement of governmental fund 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.

# CHERRY CREEK SOUTH METROPOLITAN DISTRICT NO. 1

## 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.

Special Revenue Fund – The Special Revenue Fund is used to account for the resources accumulated and payments made for the purchase, construction, operation, and maintenance of the parks and recreational facilities of the District.

### 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.

### 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.

### 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.

# CHERRY CREEK SOUTH METROPOLITAN DISTRICT NO. 1

## Notes to Financial Statements December 31, 2017

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.

### Estimates

The preparation of these financial statements in conformity with GAAP requires the District's 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 one item that qualifies for reporting in this category. It is the deferred loss on refunding reported in the government-wide statement of net position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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 two types of items that qualify for reporting in this category: deferred property taxes and deferred fees. Deferred property taxes are deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred fees are recognized as revenue when they become measurable and available (if collected within 60 days) in the fund statements. The revenue continues to be recognized when earned in the government-wide statements.

### 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 acquisition value at the date of donation.

CHERRY CREEK SOUTH METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements  
December 31, 2017

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.

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

Water system	30 years
Recreation center	10-30 years
Fencing	10 years
Furniture and equipment	10 years

Property Taxes

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or if in equal installments, at the taxpayers' election, in February and June. Delinquent taxpayers are notified in July or August and the sales of the resultant tax liens on delinquent properties are generally held in November or December. The County Treasurer remits the taxes collected monthly to the District.

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

Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits throughout the year. There is no liability for unpaid accumulated vacation or sick leave since the District does not have a policy to pay any amounts when employees separate from service with the District. All unused vacation pay is forfeited if it is not used by December 31 each year.

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.

# CHERRY CREEK SOUTH METROPOLITAN DISTRICT NO. 1

## 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 inventory or prepaids) or are legally or contractually required to be maintained intact.

### 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 \$4,516 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 \$135,492 is restricted for the payment of the debt service costs associated with the Series 2015 Loan (see Note 4).

### 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.

The committed fund balance in the Special Revenue Fund in the amount of \$1,134,578 is committed for the payment of the costs relating to the recreation center and landscaping within the District.

### 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.

### Unassigned Fund Balance

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

CHERRY CREEK SOUTH METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements  
December 31, 2017

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

Net Position

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

Net investment in capital assets – consists of net capital assets, reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows 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	\$ 248,927
Cash and investments – Restricted	<u>1,275,583</u>
Total	\$ <u>1,524,510</u>

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

Petty cash	\$ 500
Deposits with financial institution	1,136,872
Investments – COLOTRUST	290,189
Investments – Federated Treasury Obligations Fund	<u>96,949</u>
	\$ <u>1,524,510</u>

## CHERRY CREEK SOUTH METROPOLITAN DISTRICT NO. 1

### Notes to Financial Statements December 31, 2017

#### 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

##### 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

None of the District’s investments are subject to custodial or concentration of credit risk.

##### Interest Rate Risk

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

##### 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. The District’s investment is not required to be categorized within the fair value hierarchy. This investment’s value is calculated using the net asset value method (NAV) per share.



## CHERRY CREEK SOUTH METROPOLITAN DISTRICT NO. 1

### Notes to Financial Statements December 31, 2017

The District has the following recurring fair value measurements as of December 31, 2017:

#### COLOTRUST

The local government investment pool, Colorado Local Government Liquid Asset Trust (“COLOTRUST”) is rated AAAM by Standard & Poor’s with a weighted average maturity of under 60 days. COLOTRUST is an investment trust/joint ventures established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. The trusts operate similarly to a money market fund with each share maintaining a value of \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both investments consist of U.S. Treasury bills and notes and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. Designated custodian banks provide safekeeping and depository services to the trusts. Substantially all securities owned by the trusts are held by the Federal Reserve Bank in the accounts maintained for the custodian banks. The custodians’ internal records identify the investments owned by COLOTRUST. At December 31, 2017, the District had \$290,189 invested in COLOTRUST PRIME.

#### Federated Treasury Obligations Fund

The Federated Treasury Obligations Fund is a money market fund and each share is equal in value to \$1.00. The fund is AAAM rated and invests exclusively in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. The average maturity of the underlying securities is 397 days or less. As of December 31, 2017, the District had \$96,949 invested in the Federated Treasury Obligations Fund.

CHERRY CREEK SOUTH METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements  
December 31, 2017

Note 3: Capital Assets

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

	<u>Balance</u> <u>1/1/2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2017</u>
<b>Governmental Type Activities:</b>				
<b>Capital assets not being depreciated:</b>				
Water supply	\$ 555,998	\$ -	\$ -	\$ 555,998
Park and recreation improvements	669,533	-	-	669,533
Landscaping	<u>1,147,627</u>	<u>-</u>	<u>-</u>	<u>1,147,627</u>
depreciated:	<u>2,373,158</u>	<u>-</u>	<u>-</u>	<u>2,373,158</u>
<b>Capital assets being depreciated:</b>				
Water improvements	323,779	-	-	323,779
Recreation center	2,934,136	9,379	-	2,943,515
Fencing	365,370	-	-	365,370
Underground utilities	7,000	-	-	7,000
Furniture and equipment	<u>227,665</u>	<u>-</u>	<u>-</u>	<u>227,665</u>
Total capital assets being depreciated	<u>3,857,950</u>	<u>9,379</u>	<u>-</u>	<u>3,867,329</u>
Less accumulated depreciation for:				
Water improvements	167,289	10,793	-	178,082
Recreation center	2,122,816	104,852	-	2,227,668
Fencing	322,221	14,421	-	336,642
Underground utilities	7,000	-	-	7,000
Furniture and equipment	<u>99,312</u>	<u>14,406</u>	<u>-</u>	<u>113,718</u>
Accumulated Depreciation	<u>2,718,638</u>	<u>144,472</u>	<u>-</u>	<u>2,863,110</u>
Net capital assets being depreciated:	<u>1,139,312</u>	<u>(135,093)</u>	<u>-</u>	<u>1,004,219</u>
Government type assets, net	<u>\$ 3,512,470</u>	<u>\$ (135,093)</u>	<u>\$ -</u>	<u>\$ 3,377,377</u>

Depreciation expense of \$144,472 for 2017 was included in the parks and recreation expenses on the Statement of Activities.

CHERRY CREEK SOUTH METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements  
December 31, 2017

Note 4: Long Term Debt

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

\$3,545,000 Limited Tax Refunding Loan Series 2015

On June 30, 2015, the District entered into a Tax Exempt Loan Agreement with US Bank National Association and signed and delivered a promissory note for \$3,545,000 (“Series 2015 Loan”). The Note bears interest at a rate equal to 3.120% from the closing date until September 17, 2015, when the rate will decrease to 2.06% until maturity on December 15, 2020. Interest is payable semi-annually on June 15th and December 15th commencing on December 15, 2015. Principal payments are due annually on December 15th commencing on December 15, 2015. The District may prepay the loan in whole, or in part upon payment the principal amount plus accrued interest with a prepayment fee. The loan was issued to refund a portion of the Series 2003B bonds and fund the cost of issuing the loan.

As a result of the Series 2015 Refunding Loan, the refunded bonds are considered to be defeased and the liabilities have been removed from the governmental activities column of the statement of net position. The reacquisition price of the old debt exceeded the net carrying amount by \$52,868. This amount is recorded as a deferred outflow and is being amortized over the original remaining life of the refunded bonds. The refunding resulted in an economic gain of \$134,121 due to the average interest rate of the Series 2015 Loan being lower than the refunded bonds.

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

	Balance <u>1/1/2017</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>12/31/2017</u>	Current <u>Portion</u>
Series 2015 Loan	\$ 2,850,000	\$ -	\$ 675,000	\$ 2,175,000	\$ 705,000
	<u>\$ 2,850,000</u>	<u>\$ -</u>	<u>\$ 675,000</u>	<u>\$ 2,175,000</u>	<u>\$ 705,000</u>

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 705,000	\$ 45,427	\$ 750,427
2019	720,000	30,703	750,703
2020	750,000	15,708	765,708
	<u>\$ 2,175,000</u>	<u>\$ 91,838</u>	<u>\$ 2,266,838</u>

CHERRY CREEK SOUTH METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements  
December 31, 2017

Debt Authorization

As of December 31, 2017, the District had remaining voted debt authorization of approximately \$142,400,000. The District has not budgeted to issue any new debt in 2018.

Note 5: District Agreements

Seventh Amendment to the Restated Reimbursement Agreement – Developer

During 1999, the District and the developer of the District's service area entered into the Seventh Amendment to the Restated Reimbursement Agreement. Under the terms of the agreement, the responsibility for the completion of capital improvements and any future development revenues that would otherwise be paid to the District were assigned to the developer, and the debt owed by the District to the developer was relieved as a result of the issuance of \$11,300,000 Limited Tax General Obligation Subordinate Lien Bonds to the developer. These bonds were subsequently refunded with the Series 2003 General Obligation Limited Tax Refunding and Improvement Bonds (see Note 4).

Annexation and Service Agreement

On August 13, 1992, the developer, the Town, PWSD and the District entered into an annexation and service agreement pursuant to which PWSD agreed to provide water and sanitation services to the residents of the District.

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.

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.

# CHERRY CREEK SOUTH METROPOLITAN DISTRICT NO. 1

## Notes to Financial Statements December 31, 2017

In May 1994, a majority of the District's electors authorized the District to increase its fiscal year spending and annual District revenues to an amount not to exceed \$1,500,000. Such authorization constituted a voter approved revenue change with the meaning of TABOR.

### 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 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: Conservation Trust Fund Entitlement

The District was entitled to and received \$20,806 from the State of Colorado Lottery based upon a formula considering the population within the District. The funds are restricted and were expended under the State Conservation Trust Fund statutes for the acquisition, development and maintenance of parks and recreational facilities.

### Note 9: Interfund and Operating Transfers

The transfer of \$80,000 from the General Fund to the Special Revenue Fund was for the purpose of paying for the Parks and Recreation expenses.

CHERRY CREEK SOUTH METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements  
December 31, 2017

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 bonds payable and accrued bond interest payable, are not due and payable in the current period and, therefore, are not in the funds.

The Statement of Governmental Fund 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 estimated useful lives;
- 2) governmental funds report the effect of bond insurance costs and bond premiums when the debt is issued; however, in the Statement of Activities, these costs are amortized over the term of the related debt;
- 3) governmental funds report the repayment of bond principal as expenditures; however, in the government-wide statements, they are reported as reductions in long-term liabilities; and,
- 4) 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.

CHERRY CREEK SOUTH METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements  
December 31, 2017

Note 11: Litigation

Since 2012 Stroh Ranch Development, LLC (“SRD”) has been the owner of a vacant piece of property, and has failed to pay the landscaping fee imposed by the District. Over the last four years, the District has consistently demanded payment of the outstanding amount due, which, as of June 2016, exceeded \$275,000. In March 2016, counsel for SRD contacted the District and threatened legal action if the District did not forgive the lien. A meeting between the parties was held in June 2016. Although the parties have discussed resolution of the dispute, no resolution has been reached. Since June of 2016, the District has been contacted by a party that is under contract to purchase the vacant property from SRD. That party has represented to the District that its lien will be paid in full during closing. While the closing date has not been scheduled yet, the District believes that if it goes through, the District’s lien will be paid and no party will therefore have any ability to make any claim as threatened by SRD.

SUPPLEMENTAL INFORMATION



**CHERRY CREEK SOUTH METROPOLITAN DISTRICT NO. 1**

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

For the Year Ended December 31, 2017

	Original & Final		Variance
	<u>Budget</u>	<u>Actual</u>	Favorable (Unfavorable)
REVENUES			
Property taxes	\$ 739,708	\$ 739,556	\$ (152)
Interest income	-	4,294	4,294
	<u>739,708</u>	<u>743,850</u>	<u>4,142</u>
EXPENDITURES			
Loan principal	675,000	675,000	-
Loan interest expense	59,525	59,525	-
Paying agent/trustee fees	5,000	2,000	3,000
Treasurer's fees	11,096	11,100	(4)
	<u>750,621</u>	<u>747,625</u>	<u>2,996</u>
NET CHANGE IN FUND BALANCES	(10,913)	(3,775)	7,138
FUND BALANCE:			
BEGINNING OF YEAR	<u>143,118</u>	<u>139,267</u>	<u>(3,851)</u>
END OF YEAR	<u>\$ 132,205</u>	<u>\$ 135,492</u>	<u>\$ 3,287</u>

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

# CHERRY CREEK SOUTH METROPOLITAN DISTRICT NO. 1

## SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY

December 31, 2017

### TAX-FREE LOAN REFUNDING ISSUE, SERIES 2015

(Taxable converting to Tax-Exempt on 9/17/15)

Assumes 3.12% taxable rate thru 9/17/15 then converting to 2.06%

Interest Payable June 15 and December 15

Principal Due December 15

<b>Year Ended</b>			
<b><u>December 31,</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2018	\$ 705,000	\$ 45,427	\$ 750,427
2019	720,000	30,703	750,703
2020	<u>750,000</u>	<u>15,708</u>	<u>765,708</u>
	<u>\$ 2,175,000</u>	<u>\$ 91,838</u>	<u>\$ 2,266,838</u>

### SUPPLEMENTAL INFORMATION

The District may, at its option, prepay the Loan, in whole or in part, on any date, at a prepayment price equal to the sum of the principal so prepaid together with accrued and unpaid interest thereon to the date of the prepayment, plus a prepayment fee.

**CHERRY CREEK SOUTH METROPOLITAN DISTRICT NO. 1**

SUMMARY OF ASSESSED VALUATION, MILL LEVY  
AND PROPERTY TAXES COLLECTED

December 31, 2017

<u>Year Ended</u> <u>December 31,</u>	<b>Prior</b> <b>Year Assessed</b> <b>Valuation</b> <b>for Current</b> <b>Year Property</b> <b>Tax Levy</b>	<u>Mills Levied</u>		<u>Total Property Tax</u>		<b>Percent</b> <b>Collected</b> <b>to Levied</b>
		<u>General Fund</u>	<u>Debt Service</u>	<u>Levied</u>	<u>Collected</u>	
2005	\$ 32,672,630	2.588	37.257	\$ 1,301,841	\$ 1,297,546	99.67%
2006	\$ 38,159,452	2.169	17.950	\$ 767,730	\$ 746,390	97.22%
2007	\$ 38,573,769	2.169	17.950	\$ 776,081	\$ 773,515	99.67%
2008	\$ 40,791,320	2.164	17.950	\$ 820,477	\$ 820,669	100.02%
2009	\$ 41,306,890	2.164	17.950	\$ 830,844	\$ 830,732	99.99%
2010	\$ 40,514,830	2.164	17.950	\$ 814,915	\$ 784,087	96.22%
2011	\$ 40,455,880	2.164	17.950	\$ 813,730	\$ 773,201	95.02%
2012	\$ 36,057,000	2.164	19.750	\$ 790,153	\$ 764,652	96.77%
2013	\$ 35,798,560	2.164	19.750	\$ 784,490	\$ 752,854	95.97%
2014	\$ 35,175,368	2.164	19.750	\$ 770,833	\$ 739,008	95.87%
2015	\$ 35,027,670	2.164	21.000	\$ 811,381	\$ 782,631	96.46%
2016	\$ 41,123,950	1.946	18.000	\$ 820,258	\$ 974,941	118.86%
2017	\$ 41,094,880	1.946	18.000	\$ 819,678	\$ 819,511	99.98%
Estimated for year ending December 31, 2018	\$ 47,498,560	1.775	16.000	\$ 844,287		

**NOTE**

Property taxes collected in any one year include collection of delinquent property taxes levied and/or abatements or valuations in prior years. Information received from the County Treasurer does not permit identification of specific year assessment.

Property tax collections do not include amounts collected under Colorado HB 1006.