

CONSERVATORY METROPOLITAN DISTRICT

Financial Statements

Year Ended December 31, 2017

with

Independent Auditors' Report

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May 9 , 2018

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SCHILLING & COMPANY, INC.

Certified Public Accountants

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Independent Auditor's Report

Board of Directors
Conservatory Metropolitan District
Arapahoe County, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of Conservatory 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 Conservatory 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 governmental 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 financial statements as a whole. The supplemental information listed in the table of contents is presented for purposes of additional analysis and are not a required part of the financial statements.

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

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

SCHILLING & COMPANY, INC.

Highlands Ranch, Colorado
March 6, 2018

CONSERVATORY 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>
ASSETS						
Cash and investments	\$ 127,450	\$ -	\$ 214,939	\$ 342,389	\$ -	\$ 342,389
Cash and investments - restricted	-	505,166	44,700	549,866	-	549,866
Cash with county treasurer	4,580	12,079	-	16,659	-	16,659
Property taxes receivable	888,658	1,205,996	-	2,094,654	-	2,094,654
Landscape fees receivable	19,064	-	-	19,064	-	19,064
Accounts Receivable - other	5,342	-	-	5,342	-	5,342
Prepaid expenses	12,005	-	-	12,005	-	12,005
Prepaid debt insurance	-	-	-	-	91,745	91,745
Capital assets not being depreciated	-	-	-	-	3,950,681	3,950,681
Capital assets, net of accumulated depreciation	-	-	-	-	638,276	638,276
Total Assets	<u>1,057,099</u>	<u>1,723,241</u>	<u>259,639</u>	<u>3,039,979</u>	<u>4,680,702</u>	<u>7,720,681</u>
DEFERRED OUTFLOWS OF RESOURCES						
Deferred loss on refunding	-	-	-	-	2,479,438	2,479,438
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,479,438</u>	<u>2,479,438</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 1,057,099</u>	<u>\$ 1,723,241</u>	<u>\$ 259,639</u>	<u>\$ 3,039,979</u>		
LIABILITIES						
Accounts payable	\$ 13,680	\$ -	\$ 1,344	\$ 15,024	-	15,024
Accounts payable - regional mill levy	36,610	-	-	36,610	-	36,610
Accrued interest on bonds	-	-	-	-	61,876	61,876
Long-term liabilities:						
Due within one year	-	-	-	-	414,719	414,719
Due in more than one year	-	-	-	-	20,703,255	20,703,255
Total Liabilities	<u>50,290</u>	<u>-</u>	<u>1,344</u>	<u>51,634</u>	<u>21,179,850</u>	<u>21,231,484</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred fees	18,700	-	-	18,700	(26,015)	(7,315)
Deferred property taxes	888,658	1,205,996	-	2,094,654	-	2,094,654
Total Deferred Inflows of Resources	<u>907,358</u>	<u>1,205,996</u>	<u>-</u>	<u>2,113,354</u>	<u>(26,015)</u>	<u>2,087,339</u>
FUND BALANCE/NET POSITION						
Nonspendable:						
Prepays	12,005	-	-	12,005	(12,005)	-
Restricted:						
Emergencies	23,000	-	-	23,000	(23,000)	-
Debt service	-	517,245	-	517,245	(517,245)	-
Public art projects	-	-	44,700	44,700	(44,700)	-
Assigned to:						
Subsequent years' expenditures	4,839	-	-	4,839	(4,839)	-
Capital projects	-	-	213,595	213,595	(213,595)	-
Unassigned	59,607	-	-	59,607	(59,607)	-
Total Fund Balances	<u>99,451</u>	<u>517,245</u>	<u>258,295</u>	<u>874,991</u>	<u>(874,991)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,057,099</u>	<u>\$ 1,723,241</u>	<u>\$ 259,639</u>	<u>\$ 3,039,979</u>		
Net Position:						
Net investment in capital assets					679,924	679,924
Restricted for:						
Emergencies					23,000	23,000
Debt service					455,369	455,369
Unrestricted					(14,276,997)	(14,276,997)
Total Net Position (Deficit)					<u>\$ (13,118,704)</u>	<u>\$ (13,118,704)</u>

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

CONSERVATORY METROPOLITAN DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2017

	General	Debt Service	Capital Project	Total	Adjustments	Statement of Activities
EXPENDITURES						
GENERAL GOVERNMENT						
Accounting	\$ 18,076	\$ -	\$ -	\$ 18,076	\$ -	\$ 18,076
Audit	7,797	-	-	7,797	-	7,797
Collection fees (Landscape fee)	610	-	-	610	-	610
Legal	45,944	-	-	45,944	-	45,944
Legal - lien work	1,019	-	-	1,019	-	1,019
Website development	915	-	-	915	-	915
Director fee	3,200	-	-	3,200	-	3,200
District management	48,985	-	-	48,985	-	48,985
Insurance	11,648	-	-	11,648	-	11,648
Clubhouse rental	1,200	-	-	1,200	-	1,200
Landscape project management	4,518	-	-	4,518	-	4,518
Landscaping maintenance	91,356	-	-	91,356	-	91,356
Landscape projects	95,870	-	-	95,870	(73,908)	21,962
Irrigation maintenance	13,036	-	-	13,036	-	13,036
O & M Repairs and maintenance	13,788	-	-	13,788	-	13,788
Tree replacement	30,973	-	-	30,973	-	30,973
Capital expenditures	-	-	64,157	64,157	(64,157)	-
Fence replacement	76,525	-	-	76,525	(76,525)	-
Mail kiosk	1,200	-	-	1,200	-	1,200
Water	144,502	-	-	144,502	-	144,502
Snow removal	4,260	-	-	4,260	-	4,260
Pet waste	2,885	-	-	2,885	-	2,885
Pest control	150	-	-	150	-	150
Miscellaneous	1,729	-	-	1,729	-	1,729
Treasurer fees	10,131	26,719	-	36,850	-	36,850
ARI mill levy (net of collection fees)	36,610	-	-	36,610	-	36,610
Depreciation expense	-	-	-	-	58,554	58,554
Loss on disposition of fencing	-	-	-	-	17,236	17,236
Bond issuance costs	-	310,334	-	310,334	-	310,334
Bond insurance	-	92,627	-	92,627	(92,627)	-
INTEREST AND FISCAL CHARGES						
Paying agent fees	-	1,250	-	1,250	-	1,250
Bond principal	-	375,000	-	375,000	(375,000)	-
Bond interest expense	-	705,258	-	705,258	415,525	1,120,783
Amortize bond insurance costs	-	-	-	-	15,555	15,555
Total Expenditures	<u>666,927</u>	<u>1,511,188</u>	<u>64,157</u>	<u>2,242,272</u>	<u>(175,347)</u>	<u>2,066,925</u>
PROGRAM REVENUES						
Fees, liens and other charges	<u>1,130</u>	<u>-</u>	<u>-</u>	<u>1,130</u>	<u>7,317</u>	<u>8,447</u>
Total Program Revenues	<u>1,130</u>	<u>-</u>	<u>-</u>	<u>1,130</u>	<u>7,317</u>	<u>8,447</u>
Net Program Income (Expense)						<u>(2,058,478)</u>
GENERAL REVENUES						
Property taxes	675,009	1,780,192	-	2,455,201	-	2,455,201
Specific ownership taxes	57,808	152,456	-	210,264	-	210,264
Other income	29,025	-	-	29,025	-	29,025
Interest income	<u>2,017</u>	<u>19,575</u>	<u>1,812</u>	<u>23,404</u>	<u>-</u>	<u>23,404</u>
Total General Revenues	<u>763,859</u>	<u>1,952,223</u>	<u>1,812</u>	<u>2,717,894</u>	<u>-</u>	<u>2,717,894</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES						
	<u>98,062</u>	<u>441,035</u>	<u>(62,345)</u>	<u>476,752</u>	<u>(476,752)</u>	
OTHER FINANCING SOURCES (USES)						
Refunding bond proceeds	-	20,965,000	-	20,965,000	(20,965,000)	-
Bond premium	-	533,978	-	533,978	(533,978)	-
Payment to refunding agent	-	(22,984,870)	-	(22,984,870)	22,984,870	-
Transfer from (to) other funds	<u>(148,840)</u>	<u>-</u>	<u>148,840</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(148,840)</u>	<u>(1,485,892)</u>	<u>148,840</u>	<u>(1,485,892)</u>	<u>1,485,892</u>	<u>-</u>
CHANGE IN FUND BALANCE	<u>(50,778)</u>	<u>(1,044,857)</u>	<u>86,495</u>	<u>(1,009,140)</u>	<u>1,009,140</u>	
CHANGE IN NET POSITION					<u>659,416</u>	<u>659,416</u>
FUND BALANCE/NET POSITION (DEFICIT):						
BEGINNING OF YEAR	<u>150,229</u>	<u>1,562,102</u>	<u>171,800</u>	<u>1,884,131</u>	<u>(15,662,251)</u>	<u>(13,778,120)</u>
END OF YEAR	<u>\$ 99,451</u>	<u>\$ 517,245</u>	<u>\$ 258,295</u>	<u>\$ 874,991</u>	<u>\$(15,479,587)</u>	<u>\$(13,118,704)</u>

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

CONSERVATORY METROPOLITAN DISTRICT

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

For the Year Ended December 31, 2017

	Original and Final <u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Property taxes	\$ 675,091	\$ 675,009	\$ (82)
Specific ownership taxes	36,000	57,808	21,808
Fees, liens and other charges	-	1,130	1,130
Reimbursements	-	29,025	29,025
Interest income	<u>100</u>	<u>2,017</u>	<u>1,917</u>
Total Revenues	<u>711,191</u>	<u>764,989</u>	<u>53,798</u>
EXPENDITURES			
Accounting	15,000	18,076	(3,076)
Audit	7,500	7,797	(297)
Collection fees (Landscape fee)	1,000	610	390
Legal	50,000	45,944	4,056
Legal - lien work	2,000	1,019	981
Website development	1,200	915	285
Director fee	4,000	3,200	800
District management	60,000	48,985	11,015
Insurance	11,000	11,648	(648)
Clubhouse rental	1,200	1,200	-
Landscape project management	8,000	4,518	3,482
Landscaping maintenance	90,200	91,356	(1,156)
Landscape projects	109,700	95,870	13,830
Irrigation maintenance	17,000	13,036	3,964
Uninsured accident replacement	10,000	-	10,000
Natural surface trail maintenance	5,000	-	5,000
Pond maintenance	5,000	-	5,000
O & M Repairs and maintenance	5,000	13,788	(8,788)
Tree replacement	30,000	30,973	(973)
Fence replacement	83,000	76,525	6,475
Mail kiosk	1,500	1,200	300
Water	155,000	144,502	10,498
Snow removal	20,000	4,260	15,740
Pet waste	4,000	2,885	1,115
Pest control	5,000	150	4,850
Miscellaneous	1,000	1,729	(729)
Treasurer fees	10,126	10,131	(5)
Capital asset maintenance	7,500	-	7,500
ARI mill levy (net of collection fees)	36,080	36,610	(530)
Contingency	1,200	-	1,200
Emergency reserve	<u>21,333</u>	<u>-</u>	<u>21,333</u>
Total Expenditures	<u>778,539</u>	<u>666,927</u>	<u>111,612</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(67,348)</u>	<u>98,062</u>	<u>165,410</u>
OTHER FINANCING SOURCES (USES)			
Transfer from (to) other funds	<u>(148,840)</u>	<u>(148,840)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(148,840)</u>	<u>(148,840)</u>	<u>-</u>
CHANGE IN FUND BALANCE	(216,188)	(50,778)	165,410
FUND BALANCE:			
BEGINNING OF YEAR	<u>216,188</u>	<u>150,229</u>	<u>(65,959)</u>
END OF YEAR	<u>\$ -</u>	<u>\$ 99,451</u>	<u>\$ 99,451</u>

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

CONSERVATORY METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2017

Note 1: Summary of Significant Accounting Policies

The accounting policies of the Conservatory Metropolitan District (the “District”), located in the City of Aurora (the “City”), Arapahoe 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 April 17, 2002, as a quasi-municipal corporation and political subdivision of the State of Colorado established to provide streets, water, sanitation, storm drainage, traffic and safety controls, parks, open space and recreation and other improvements that benefit the residents and property owners 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 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.

CONSERVATORY 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. Depreciation is computed and recorded as an operating expense. Expenditures for capital assets are shown as increases in assets and redemption of bonds and notes are recorded as a reduction in liabilities.

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 landscape fees. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is paid.

CONSERVATORY 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 except those required to be accounted for 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 Local Government Budget Law of Colorado, the District's Board of Directors holds a public hearing 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, publication and public hearing 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.

Subsequent to year end the District amended its total appropriations in the Debt Service Fund from \$1,595,469 to \$24,500,000 as a result of the refunding of the Series 2007 Bonds.

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.

CONSERVATORY METROPOLITAN DISTRICT

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 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 net 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 government only 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 net 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 government 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.

Original Issue Discount, Prepaid Debt Insurance and Loss on Refunding

Original issue premium from the Series 2017 Bonds is being amortized over the term of the bonds using the effective interest method. The Prepaid Debt Insurance and the Loss on Refunding from the Series 2017 Bonds are begin amortized over the term of the bonds using the straight line method. Accumulated amortization of original issue premium, prepaid debt insurance and loss on refunding amounted to \$6,004, \$882 and \$35,786, respectively, at December 31, 2017.

CONSERVATORY METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2017

Landscape Fees

Prior to 2007 and in 2009, landscape fees were charged to all residential unit owners within the District at the rate of \$25 per month billed quarterly. No provision has been made for uncollected fees as all fees attach as an enforceable perpetual lien on the property served until collected and are therefore deemed collectible. At December 31, 2017, \$19,064 representing \$219 in fees and \$18,845 in penalties, late fees and legal fees remained uncollected. \$18,700 has been reflected in the fund financial statements as deferred because they were not collected within the 60 day measurement period.

Capital Assets

Capital assets, which include landscape fixtures and improvements, 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. As discussed later in Note 1, the District has an Intergovernmental Agreement with the City of Aurora, under which the District constructed infrastructure, and upon completion transferred a portion of the assets to the City of Aurora for ownership, operations and maintenance. The District has retained certain landscape fixtures and improvements which are capitalized and depreciated over the remaining useful lives of the related capital 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:

Landscape fixtures	5 years
Irrigation system	5 - 10 years
Entry monuments	15 years
Fencing	10 - 20 years

CONSERVATORY METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2017

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.

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.

Intergovernmental Agreement

The Service Plan requires the District to convey all public improvements with the exception of park and recreation improvements to the City of Aurora unless otherwise specified in an agreement with the City of Aurora for ownership and maintenance. The District will own certain park and recreation improvements as well as the street landscaping, detention ponds and entry features.

The District and the City of Aurora entered into an Amended and Restated Intergovernmental Agreement dated November 16, 2009, which requires the District to impose a mill levy for Aurora regional improvements (the "ARI Mill Levy"). The ARI Mill Levy is defined in the Service Plan as (i) for the first 20 years (beginning in the first year of collection of a debt service mill levy by the District), one mill; (ii) for the next 20 years, five mills; and (iii) for the next 10 years, a mill levy equal to the average debt service mill levy imposed by the District in the 10 years prior to the date of repayment of the debt it issued to construct non-regional improvements. At December 31, 2017, the District had a payable to the ARI Authority for taxes collected in 2016 in the amount of \$36,610.

CONSERVATORY 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 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 \$23,000 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 \$517,245 is restricted for the payment of the debt service costs associated with the General Obligation Refunding Bonds Series 2007 (see Note 4).

The restricted fund balance in the Capital Fund in the amount of \$44,700 is restricted for the payment of Public art projects under the Agreement Regarding Public Art Funds (see Note 6).

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.

CONSERVATORY METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2017

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.

The assigned fund balance in the General Fund of \$4,839 represents the amount appropriated for use in the budget for the year ending December 31, 2018.

The assigned fund balance in the Capital Projects Fund in the amount of \$213,595 is assigned for the payment of the costs for capital improvements within the District.

Unassigned Fund Balance

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

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.

CONSERVATORY METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2017

Note 2: Cash and Investments

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

Balance Sheet/Statement of Net Position:	
Cash and investments	\$ 342,389
Cash and investments – Restricted	<u>549,866</u>
Total	\$ <u>892,255</u>

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

Deposits with financial institutions	\$ 16,212
Investments - COLOTRUST	<u>876,043</u>
	\$ <u>892,255</u>

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 does not have a formal policy for deposits. None of the District's deposits were exposed to custodial credit risk.

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.

CONSERVATORY 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.

Investments

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

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. 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 \$884,417 invested in COLOTRUST.

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 investments, are not required to be categorized within the fair value hierarchy. These investments are measured at amortized cost or in certain circumstances the value is calculated using the net asset value (NAV) per share, or its equivalent of the investment. These investments include 2a7-like external investment pools and money market investments. The District held investments in COLOTRUST at yearend for which the investment valuations were determined as follows.

CONSERVATORY METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2017

COLOTRUST determines the NAV of the shares of each portfolio as of the close of business of each day. The NAV per share of each portfolio is computed by dividing the total value of the securities and other assets of the portfolios, less any liabilities, by the total outstanding shares of the portfolios. Liabilities, which include all expenses and fees of COLOTRUST, are accrued daily. The NAV is calculated at fair value using various inputs in determine value in accordance with FASB guidance. It is the goal of the Trust to maintain a NAV of \$ 1.00 per share, however changes in interest rates may affect the fair value of the securities held by COLOTRUST and there can be no assurance that the NAV will not vary from \$ 1.00 per share.

Note 3: Capital Assets

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

	Balance 1/1/2017	Additions	Deletions	Balance 12/31/2017
<u>Governmental Type Activities:</u>				
<u>Capital assets not being depreciated:</u>				
Landscape improvements	3,873,161	-	-	\$3,873,161
Construction in process	13,363	64,157	-	77,520
Total capital assets not being depreciated:	<u>3,886,524</u>	<u>64,157</u>	<u>-</u>	<u>3,950,681</u>
<u>Capital assets being depreciated:</u>				
Landscape fixtures	13,588	-	-	13,588
Irrigation system	596,600	73,908	-	670,508
Entry monuments	225,000	-	-	225,000
Fencing	705,666	76,525	38,815	743,376
Total capital assets being depreciated:	<u>1,540,854</u>	<u>150,433</u>	<u>38,815</u>	<u>1,652,472</u>
<u>Less accumulated depreciation for:</u>				
Landscape fixtures	(13,586)	-	-	(13,586)
Irrigation system	(596,600)	(3,695)	-	(600,295)
Entry monuments	(165,000)	(15,000)	-	(180,000)
Fencing	(202,035)	(39,859)	(21,579)	(220,315)
Total Accumulated Depreciation	<u>(977,221)</u>	<u>(58,554)</u>	<u>(21,579)</u>	<u>(1,014,196)</u>
Net capital assets being depreciated:	<u>563,633</u>	<u>91,879</u>	<u>17,236</u>	<u>638,276</u>
Government type assets, net	<u>4,450,157</u>	<u>156,036</u>	<u>17,236</u>	<u>\$4,588,957</u>

CONSERVATORY METROPOLITAN DISTRICT

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:

2007 General Obligation Refunding Bonds

In July 2007, the District issued \$25,045,000 of General Obligation Refunding Bonds Series 2007 (“2007 Bonds”) for the purpose of providing funds for advance refunding of the Series 2003 Bonds, Series 2003 Subordinate Bonds and Series 2005 Bonds; paying or reimbursing a portion of the costs of acquiring, constructing, relocating and installing certain public improvements and facilities; funding the Reserve Fund; purchasing a financial guaranty insurance policy; and paying the costs of issuance of the Bonds. The bonds bear interest ranging from 4.00% to 5.125%, payable semiannually on each June 1 and December 1, commencing on December 1, 2007. Principal is payable on December 1, commencing in 2009.

The Bonds were subject to an early redemption at the option of the District, in whole or in integral multiples of \$5,000, commencing December 1, 2017, and any date thereafter, upon payment of par plus accrued interest, without redemption premium. The 2007 Bonds were secured by Pledged Revenues including (i) the Required Mill Levy; (ii) the portion of the Specific Ownership Tax which is collected as a result of the imposition of the Required Mill Levy; and (iii) any other legally available moneys which the District determines, in its absolute discretion, to transfer to the Trustee for application as Pledged Revenue. A Reserve Fund in the amount of \$1,882,731 was established from the bond proceeds and was required to remain fully funded until the Debt to Assessed Ratio is 50% or less.

2017 General Obligation Refunding Bonds

On September 19, 2017, the District issued \$20,965,000 of General Obligation Refunding Bonds Series 2017 (“Series 2017 Bonds”) for the purpose of providing funds for refunding the Series 2007 Bonds, purchasing a municipal bond insurance policy; and paying the costs of issuance of the Bonds. The bonds bear interest ranging from 2.00% to 5.00%, payable semiannually on each June 1 and December 1, commencing on December 1, 2017. Principal is payable on December 1, commencing in 2017.

The District advance refunded the 2007 Series bonds to reduce its total debt service payments by almost \$3,278,417 and to obtain a present value savings (difference between the present values of the debt service payments on the old and new debt) of \$3,189,118. In the government-wide statements, the District incurred a cost on refunding in the amount of \$2,479,438, which has been deferred and is being amortized over the life of the Series 2017 Bonds. On December 1, 2017 the 2007 bonds were paid in full.

CONSERVATORY METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2017

The Bonds are subject to an early redemption at the option of the District, in whole or in integral multiples of \$1,000, commencing December 1, 2027, and any date thereafter, upon payment of par plus accrued interest, without redemption premium. The Series 2017 Bonds are secured by Pledged Revenues including (i) the Required Mill Levy; (ii) the portion of the Specific Ownership Tax which is collected as a result of the imposition of the Required Mill Levy; and (iii) any other legally available moneys which the District determines, in its absolute discretion, to transfer to the Trustee for application as Pledged Revenue. The principal and interest payments are also secured by Build America Mutual Assurance, Company. (“BAM”). BAM was rated AA/Stable by Standard and Poor’s Rating Service.

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	\$ 385,000	\$ 742,513	\$ 1,127,513
2019	390,000	734,813	1,124,813
2020	405,000	723,113	1,128,113
2021	415,000	710,963	1,125,963
2022	430,000	694,363	1,124,363
2023-2027	2,460,000	3,169,313	5,629,313
2028-2032	3,100,000	2,533,213	5,633,213
2033-2037	3,640,000	1,989,375	5,629,375
2038-2042	4,280,000	1,347,425	5,627,425
2043-2047	5,085,000	546,175	5,631,175
	<u>\$ 20,590,000</u>	<u>\$ 13,191,263</u>	<u>\$ 33,781,263</u>

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

	<u>Balance</u>		<u>Balance</u>	<u>Current</u>
	<u>1/1/2017</u>	<u>Additions</u>	<u>12/31/2017</u>	<u>Portion</u>
		<u>Deletions</u>		
2007 GO Bonds	\$ 22,465,000	\$ -	22,465,000	\$ -
2017 GO Bonds	-	20,965,000	375,000	20,590,000
Premium on Bonds	-	533,978	6,004	527,974
Original issue discount	(28,562)	-	(28,562)	-
	<u>\$ 22,436,438</u>	<u>\$ 21,498,978</u>	<u>\$ 22,817,442</u>	<u>\$ 21,117,974</u>
				<u>\$ 414,719</u>

Debt Authorization

As of December 31, 2017, the District had remaining voted debt authorization of \$24,120,000 for refunding and operations and maintenance purposes. The District has not budgeted to issue any new debt during 2018. Per the District’s Service Plan, the District cannot issue additional debt in excess of \$3,120,000.

CONSERVATORY METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2017

Note 5: Net Position Deficit

The District's unrestricted net position at December 31, 2017 totaled (\$14,276,997). The deficit amount was a result of the District being responsible for repayment of bonds issued for public improvements conveyed to other governmental entities.

Note 6: Agreements

Agreement Regarding Public Art Funds

On July 19, 2007, the District and ADM, SAN-7353, LLC (the "Developer") entered into an Agreement Regarding Public Art Funds whereby the Developer confirmed its responsibility for the District's Public Art Funds requirements under an agreement with the City of Aurora. On September 19, 2016, the funding responsibilities under the Agreement Regarding Public Arts Funds were assigned to Lennar Colorado, LLC under the Assignment of Rights and Delegation of Duties Pursuant to Agreement Regarding Public Art Funds. Lennar paid \$80,000 to the City. Pursuant to the City's public arts requirement, the City retained 10% (\$8,000) of these revenues for City coordination and project management fees resulting in \$72,000 being tendered to the District in 2016. In addition, Lennar agreed to pay the District an additional \$1,500 for landscape improvements necessary for the public art, which funds have been received by the District. The District is working with the City on the selection of the public art for the community. These funds are restricted at December 31, 2017, and will be held until the project is complete.

First Amendment to Amended and Restated Intergovernmental Agreement between the City of Aurora, Colorado, and Conservatory Metropolitan District

On November 9, 2009, the City of Aurora and the District entered into an Amended and Restated Intergovernmental Agreement between the City of Aurora, Colorado and the District which set forth certain limitations and requirements of the District as per the Service Plan and prohibits the District from operating and maintaining any Public Improvements (with the exception of park and recreation improvements and tract landscape improvements) without the written consent of the City. In order to ensure proper long-term operation and maintenance of the water quality/detention ponds in the District, the City and the District entered into the First Amendment to Amended and Restated Intergovernmental Agreement between the City of Aurora, Colorado, and Conservatory Metropolitan District on August 22, 2016. Pursuant to this amendment, certain pond rehabilitation will be performed by the City and the District, after which the District be responsible for all ongoing operation and maintenance responsibilities and related costs for the specified ponds within the District with the exception of Pond #3 which is maintained by the City and Pond #7 which is not part of this amendment and remains privately owned at this time.

CONSERVATORY METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2017

Note 7: 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.

On November 6, 2001, the voters of the District authorized the District to collect, retain, and spend the amount of \$2,000,000 annually from any revenue sources other than ad valorem taxes, including but not limited to tap fees, facility fees, service charges, inspection charges, administrative charges, grants, or any other fee, rate, toll, penalty, income, or charge imposed, collected, or authorized by law to be imposed or collected by the District, and shall such revenues be collected and spent by the District as a voter approved revenue change without regard to any spending, revenue-raising, or other limitation contained within Article X, Section 20 of the Colorado Constitution, and without limiting in any year the amount of other revenues that may be collected and spent by the District.

On November 4, 2008, a majority of the District's electors approved the District to increase taxes \$400,000 annually (for collection in calendar year 2008) and by the additional amounts that are raised annually thereafter by the imposition of an ad valorem property tax levy of 50 mills as adjusted from time to time due to legislative and constitutional adjustments, for the purpose of paying the District's administration, operations, maintenance and other similar expenses, and shall revenue from such taxes and any interest income be collected and spent by the District in fiscal year 2008 and in each year thereafter as a voter approved revenue change without limitation by the revenue and spending limitations of Article X, Section 20 of the Colorado Constitution, the limits imposed on increases in property taxation by section 29-1-301, CRS in any year, or any other law which purports to limit the District's revenues or expenditures as it currently exists or as it may be amended in the future, all without limiting in any year the amount of other revenues that may be collected, retained and spent by the District.

CONSERVATORY METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2017

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.

Note 8: 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 and workers compensation 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 9: 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;
- 2) long-term liabilities such as bonds payable, accrued bond interest payable, are not due and payable in the current period and, therefore, are not in the funds;
- 3) bond insurance costs are reported as prepaid insurance while, loss from bond refunding and original issue discount are reported as prepaid insurance, deferred outflow of resources and a reduction of debt respectively. Prepaid insurance and deferred outflows are amortized over the term of the related debt in the government-wide financial statements; and

CONSERVATORY METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2017

- 4) deferred fees are reported in the governmental funds until the revenues are available (received within 60 days of the end of the current year); however, revenues are recorded when earned on the Statement of Activities.

The Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balances (Deficit)/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 bond insurance costs, loss from bond refunding, and original issue discount as an expenditure, however, in the statement of activities, these costs, are amortized over the term of the related debt;
- 3) 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; and
- 4) governmental funds report principal payments on debt as expenses: however, they are recorded as a reduction in debt on the Statement of Activities.

SUPPLEMENTAL INFORMATION

CONSERVATORY 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 (Unfavorable)
REVENUES				
Property taxes	\$ 1,780,406	\$ 1,780,406	\$ 1,780,192	\$ (214)
Specific ownership taxes	124,628	150,000	152,456	2,456
Interest income	<u>4,000</u>	<u>20,000</u>	<u>19,575</u>	<u>(425)</u>
Total Revenues	<u>1,909,034</u>	<u>1,950,406</u>	<u>1,952,223</u>	<u>1,817</u>
EXPENDITURES				
Bond issuance costs	-	402,961	310,334	92,627
Bond interest	1,110,513	705,258	705,258	-
Bond principal	455,000	375,000	375,000	-
Paying agent fees	3,250	5,000	1,250	3,750
Bond insurance	-	-	92,627	(92,627)
Treasurers' fees	<u>26,706</u>	<u>26,911</u>	<u>26,719</u>	<u>192</u>
Total Expenditures	<u>1,595,469</u>	<u>1,515,130</u>	<u>1,511,188</u>	<u>3,942</u>
NET CHANGE IN FUND BALANCE	<u>313,565</u>	<u>435,276</u>	<u>441,035</u>	<u>5,759</u>
OTHER FINANCING SOURCES (USES)				
Refunding bond proceeds	-	20,965,000	20,965,000	-
Bond premium	-	533,978	533,978	-
Payment to refunding agent	<u>-</u>	<u>(22,984,870)</u>	<u>(22,984,870)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>(1,485,892)</u>	<u>(1,485,892)</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES				
	313,565	(1,050,616)	(1,044,857)	5,759
FUND BALANCE:				
BEGINNING OF YEAR	<u>1,551,798</u>	<u>1,562,102</u>	<u>1,562,102</u>	<u>-</u>
END OF YEAR	<u>\$ 1,865,363</u>	<u>\$ 511,486</u>	<u>\$ 517,245</u>	<u>\$ 5,759</u>

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

CONSERVATORY 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 and Final <u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Interest income	\$ -	\$ 1,812	\$ 1,812
Total Revenues	<u>-</u>	<u>1,812</u>	<u>1,812</u>
EXPENDITURES			
Capital expenditures	<u>222,340</u>	<u>64,157</u>	<u>158,183</u>
Total Expenditures	<u>222,340</u>	<u>64,157</u>	<u>158,183</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(222,340)</u>	<u>(62,345)</u>	<u>159,995</u>
OTHER FINANCING SOURCES (USES)			
Transfer from (to) other funds	<u>148,840</u>	<u>148,840</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>148,840</u>	<u>148,840</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(73,500)	86,495	159,995
FUND BALANCE - BEGINNING OF YEAR	<u>73,500</u>	<u>171,800</u>	<u>98,300</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ 258,295</u>	<u>\$ 258,295</u>

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

OTHER INFORMATION

CONSERVATORY METROPOLITAN DISTRICT

SUMMARY OF ASSESSED VALUATION, MILL LEVY AND PROPERTY TAXES COLLECTED

December 31, 2017

<u>Year Ended</u> <u>December 31,</u>	<u>Prior</u> <u>Year Assessed</u> <u>Valuation</u> <u>for Current</u> <u>Year Property</u> <u>Tax Levy</u>	<u>Mills Levied</u>		<u>Total Property Tax</u>		<u>Percent</u> <u>Collected</u> <u>to Levied</u>
		<u>General Fund</u>	<u>Debt Service</u>	<u>Levied</u>	<u>Collected</u>	
2010	\$ 26,735,170	21.500	40.000	\$ 1,919,585	\$ 1,894,774	98.71%
2011	\$ 27,337,740	19.740	52.060	\$ 1,962,850	\$ 1,962,333	99.97%
2012	\$ 25,088,840	19.740	52.060	\$ 1,801,379	\$ 1,799,794	99.91%
2013	\$ 25,455,100	19.740	52.060	\$ 1,827,676	\$ 1,798,424	98.40%
2014	\$ 25,571,190	19.740	52.060	\$ 1,836,011	\$ 1,836,227	100.01%
2015	\$ 25,687,486	19.740	52.060	\$ 1,844,361	\$ 1,844,412	100.00%
2016	\$ 32,299,944	19.740	52.060	\$ 2,319,136	\$ 2,318,704	99.98%
2017	\$ 34,199,119	19.740	52.060	\$ 2,455,497	\$ 2,455,201	99.99%
Estimated for year ending December 31, 2018	\$ 40,199,857	22.106	30.000	\$ 2,094,654		

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.

CONTINUING DISCLOSURE ANNUAL FINANCIAL INFORMATION

CONSERVATORY METROPOLITAN DISTRICT

TEN LARGEST OWNERS OF TAXABLE PROPERTY WITHIN THE DISTRICT

December 31, 2017

UNAUDITED

<u>Taxpayer Name</u>	<u>2017 Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
Public Service Company of Colorado	\$ 689,270	2.02%
Private Homeowner #1	38,650	0.11%
Private Homeowner #2	38,239	0.11%
Private Homeowner #3	37,851	0.11%
Private Homeowner #4	37,181	0.11%
Private Homeowner #5	37,044	0.11%
Private Homeowner #6	36,965	0.11%
Private Homeowner #7	36,893	0.11%
Private Homeowner #8	36,849	0.11%
Private Homeowner #9	36,821	0.11%
Total	<u>\$ 1,025,763</u>	<u>3.01%</u>

NOTE

Assessed Valuations were obtained from the County Assessor's website.

CONSERVATORY METROPOLITAN DISTRICT

ASSESSED AND ACTUAL VALUATION OF CLASSES OF PROPERTY IN THE DISTRICT

December 31, 2017

UNAUDITED

<u>Class</u>	<u>2017 Assessed Valuation</u>	<u>Percent of Assessed Valuation</u>	<u>2017 Actual Valuation</u>	<u>Percent of Actual Valuation</u>
Residential	\$ 39,425,955	98.08%	\$ 547,582,592	99.51%
State Assessed	696,270	1.73%	2,400,931	0.44%
Vacant	580	0.00%	2,000	0.00%
Commercial	77,052	0.19%	265,684	0.05%
Total	<u>\$ 40,199,857</u>	<u>100.00%</u>	<u>\$ 550,251,207</u>	<u>100.00%</u>

NOTE

Percentage is based on a 2017 certified assessed valuation of \$40,199,857