

**SPRING MESA METROPOLITAN DISTRICT**  
Jefferson County, Colorado

**FINANCIAL STATEMENTS**  
December 31, 2017

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Office of the State Auditor

July 30, 2018

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Board of Directors  
Spring Mesa Metropolitan District  
Jefferson County, Colorado

## Independent Auditors' Report

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of Spring Mesa Metropolitan District (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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards general 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

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 Spring Mesa 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**

Management has omitted the management's discussion and analysis that accounting principles general 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's financial statements as a whole. The supplementary information and continuing disclosure annual financial information as listed in the table of contents is presented for the purposes of legal compliance and additional analysis and is not a required part of the financial statements. The supplementary information and continuing disclosure annual financial information is the responsibility of management and was derived from and relates 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.

*Stratagem PC*  
*Certified Public Accountants*  
*Lakewood, Colorado*

July 30, 2018

## **BASIC FINANCIAL STATEMENTS**

**SPRING MESA METROPOLITAN DISTRICT**  
**STATEMENT OF NET POSITION**  
**December 31, 2017**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and investments	\$ 113,214
Cash and investments - Restricted	167,311
Receivable - County Treasurer	3,081
Prepaid expense	343
Accounts receivable	5,504
Property taxes receivable	401,194
Bond insurance, net of amortization	32,030
Capital assets, net of accumulated depreciation	12,531
Total assets	735,208
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Cost of refunding	162,546
Total deferred outflows of resources	162,546
<b>LIABILITIES</b>	
Accounts payable	36,696
Prepaid assessments	3,659
Accrued interest payable	22,917
Noncurrent liabilities:	
Due within one year	160,000
Due in more than one year	7,285,405
Total liabilities	7,508,677
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Property tax revenue	401,194
Total deferred inflows of resources	401,194
<b>NET POSITION</b>	
Investment in capital assets	12,531
Restricted for:	
Emergency reserves	9,000
Debt service	138,475
Unrestricted	(7,172,123)
Total net position	\$ (7,012,117)

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



**SPRING MESA METROPOLITAN DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2017**

	General	Debt Service	Capital Projects	Total Governmental Funds
<b>ASSETS</b>				
Cash and investments	\$ 103,944	\$ -	\$ 9,270	\$ 113,214
Cash and investments - Restricted	9,000	158,311	-	167,311
Receivable - County Treasurer	-	3,081	-	3,081
Prepaid expense	343	-	-	343
Accounts receivable	5,504	-	-	5,504
Property taxes receivable	-	401,194	-	401,194
<b>TOTAL ASSETS</b>	<b>\$ 118,791</b>	<b>\$ 562,586</b>	<b>\$ 9,270</b>	<b>\$ 690,647</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 36,696	\$ -	\$ -	\$ 36,696
Prepaid assessments	3,659	-	-	3,659
Total liabilities	40,355	-	-	40,355
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Property tax revenue	-	401,194	-	401,194
Total deferred inflows of resources	-	401,194	-	401,194
<b>FUND BALANCES:</b>				
Nonspendable:				
Prepaid expense	343	-	-	343
Restricted:				
Emergency reserves (TABOR)	9,000	-	-	9,000
Debt service	-	161,392	-	161,392
Committed:				
Subsequent year's expenditures	81,226	-	-	81,226
Assigned:				
Capital projects	-	-	9,270	9,270
Unassigned:				
General government	(12,133)	-	-	(12,133)
Total fund balances	78,436	161,392	9,270	249,098
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 118,791</b>	<b>\$ 562,586</b>	<b>\$ 9,270</b>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	12,531
Other assets and deferred outflows of resources are not financial resources; therefore, are not in the funds	
Cost of refunding	162,546
Bond insurance, net	32,030
Long-term liabilities are not due and payable in the current period; therefore, are not in the funds	
Bonds payable	(7,115,000)
Original issue premium	(330,405)
Accrued interest payable - Bonds	(22,917)
Net position of governmental activities	<b>\$ (7,012,117)</b>

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

**SPRING MESA METROPOLITAN DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year Ended December 31, 2017**

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Assessments	\$ 278,355	\$ -	\$ -	\$ 278,355
Interest income	29	3,492	-	3,521
Property taxes	-	417,841	-	417,841
Specific ownership taxes	-	40,822	-	40,822
Total revenues	<u>278,384</u>	<u>462,155</u>	<u>-</u>	<u>740,539</u>
<b>EXPENDITURES</b>				
Current				
Accounting	6,471	-	-	6,471
Administration (Billing services)	8,522	-	-	8,522
Audit	3,575	-	-	3,575
County Treasurer's fee	-	6,268	-	6,268
District management	22,106	-	-	22,106
Insurance	6,040	-	-	6,040
Irrigation repair	12,422	-	-	12,422
Landscape maintenance	80,850	-	-	80,850
Legal	18,324	-	-	18,324
Miscellaneous	5,999	-	-	5,999
Projects - maintenance/replacement	89,556	-	-	89,556
Snow removal	2,040	-	-	2,040
Utilities	27,839	-	-	27,839
Capital expenditures				
Toe and interceptor drains	-	-	21,170	21,170
Debt service				
Bond interest	-	278,100	-	278,100
Bond principal	-	155,000	-	155,000
Paying agent fees	-	3,500	-	3,500
Total expenditures	<u>283,744</u>	<u>442,868</u>	<u>21,170</u>	<u>747,782</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(5,360)</u>	<u>19,287</u>	<u>(21,170)</u>	<u>(7,243)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers to (from) other funds	(20,000)	-	20,000	-
Total other financing sources (uses)	<u>(20,000)</u>	<u>-</u>	<u>20,000</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	(25,360)	19,287	(1,170)	(7,243)
<b>FUND BALANCES - BEGINNING OF YEAR</b>	103,796	142,105	10,440	256,341
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 78,436</u>	<u>\$ 161,392</u>	<u>\$ 9,270</u>	<u>\$ 249,098</u>

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

**SPRING MESA METROPOLITAN DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
Year Ended December 31, 2017**

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

Net changes in fund balances - Total governmental funds	\$	(7,243)
<p>Governmental funds report capital outlay as expenditures. In the statement of activities, capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense the allocation of the cost of any depreciable assets over the estimated useful life of the asset.</p>		
Capital outlay		12,690
Depreciation		(159)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The net effect of these differences in the treatment of long-term debt is as follows:</p>		
Current year bond principal payment		155,000
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:</p>		
Accrued interest payable - Bonds - Change in liability		258
Amortization:		
Bond premium		26,304
Bond insurance		(1,901)
Cost of refunding		(9,792)
		(9,792)
Change in net position of governmental activities	\$	175,157

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

**SPRING MESA METROPOLITAN DISTRICT  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
Year Ended December 31, 2017**

	<u>Budgeted Amounts</u>		<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original and Final</u>	<u>Actual Amounts</u>	
<b>REVENUES</b>			
Assessments	\$ 277,440	\$ 278,355	\$ 915
Interest income	-	29	29
Total revenues	<u>277,440</u>	<u>278,384</u>	<u>944</u>
<b>EXPENDITURES</b>			
Accounting	11,425	6,471	4,954
Administration (Billing services)	5,000	8,522	(3,522)
Audit	3,575	3,575	-
District management	25,000	22,106	2,894
Insurance	7,000	6,040	960
Irrigation repair	15,000	12,422	2,578
Landscape maintenance	50,000	80,850	(30,850)
Legal	10,000	18,324	(8,324)
Miscellaneous	1,000	5,999	(4,999)
Pond maintenance	10,000	-	10,000
Projects - maintenance/replacement	70,000	89,556	(19,556)
Snow removal	15,000	2,040	12,960
Utilities	25,000	27,839	(2,839)
Contingency/Emergency reserve	128,054	-	128,054
Total expenditures	<u>376,054</u>	<u>283,744</u>	<u>92,310</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(98,614)</u>	<u>(5,360)</u>	<u>93,254</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers to (from) other funds	<u>(20,000)</u>	<u>(20,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(20,000)</u>	<u>(20,000)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	(118,614)	(25,360)	93,254
<b>FUND BALANCES - BEGINNING OF YEAR</b>	120,614	103,796	(16,818)
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 2,000</u>	<u>\$ 78,436</u>	<u>\$ 76,436</u>

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

**SPRING MESA METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 1 - DEFINITION OF REPORTING ENTITY**

The District was originally formed as the Eldorado Hills Metropolitan District on April 16, 1991, as a quasi-municipal organization established under the State of Colorado Special District Act. The District legally changed its name to Spring Mesa Metropolitan District in September 2003. The District was established to finance and construct certain public infrastructure improvements that benefit the citizens of the District. The District's primary revenues are property taxes and assessments. The District is governed by an elected Board of Directors. The District's service area is located in the City of Arvada, in Jefferson County, Colorado.

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations, and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's 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 District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The more significant accounting policies of the District are described as follows:

**Government-wide and Fund Financial Statements**

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District. The effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

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

**SPRING MESA METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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.

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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

The District reports the following major governmental funds:

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

The Debt Service Fund is used to account for the resources accumulated and payments made for principal and interest on long-term debt of the governmental funds.

The Capital Projects Fund is used to account for financial resources to be used for the acquisition and construction of capital equipment and facilities.

**SPRING MESA METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Budgets**

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

The District has amended its budget for the year ended December 31, 2017.

**Pooled Cash and Investments**

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

**Property Taxes**

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or, if in equal installments at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August, and generally, sale of the tax liens on delinquent properties are 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 inflow of resources in the year they are levied and measurable. The unearned property tax revenues are recorded as revenue in the year they are available or collected.

**Capital Assets**

Capital assets, which include property, 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 estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

**SPRING MESA METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Capital assets which are anticipated to be conveyed to other governmental entities are recorded as construction in process, are not depreciated, and are not included in the calculation of net investment in capital assets component of the District's net position.

The costs of normal maintenance and repairs that do not add to the value of the asset 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.

Prior to the year ended December 31, 2010, the District conveyed all of the capital assets acquired with bond proceeds to the City of Arvada.

**Original Issue Discount/Premium**

In the government-wide financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

**Deferred Inflows/Outflows of Resources**

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Accordingly, the item, *deferred property tax revenue*, is deferred and recognized as an inflow of resources in the period that the amount becomes available.

In addition to assets, the statement of net position reports 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 and so will not be recognized as an outflow of resources (expense) until that time. The District has one item that qualifies for reporting in this category. Accordingly, the item, *cost of refunding*, is deferred and recognized as an outflow of resources in the period that the amount is incurred.

**SPRING MESA METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Equity**

***Net Position***

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

***Fund Balance***

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

- *Nonspendable fund balance* – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.
- *Restricted fund balance* – The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.
- *Committed fund balance* – The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.
- *Assigned fund balance* – The portion of fund balance that is constrained by the government's intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.
- *Unassigned fund balance* – The residual portion of fund balance that does not meet any of the criteria described above.

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

**SPRING MESA METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 3 - CASH AND INVESTMENTS**

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

Statement of net position:

Cash and investments	\$ 113,214
Cash and investments - Restricted	<u>167,311</u>
Total cash and investments	<u><u>\$ 280,525</u></u>

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

Deposits with financial institutions	\$ 174,530
Investments	<u>105,995</u>
Total cash and investments	<u><u>\$ 280,525</u></u>

**Deposits with Financial Institutions**

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 102% of the aggregate uninsured deposits.

The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2017, the District's cash deposits had a bank balance and a carrying balance of \$174,530.

**Investments**

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

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

Colorado revised statutes limit investment maturities by governmental entities to five years or less unless formally approved by the Board of Directors, and such actions are generally associated with a debt service reserve or sinking fund requirements.

**SPRING MESA METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

**NOTE 3 - CASH AND INVESTMENTS (CONTINUED)**

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

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

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

<b>Investment</b>	<b>Maturity</b>	<b>Amount</b>
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted average under 60 days	<u>\$ 105,995</u>

**COLOTRUST**

The District invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the Trust), an investment vehicle 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 Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and any security allowed under CRS 24-75-601. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. COLOTRUST is rated AAAM by Standard & Poor's. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

**SPRING MESA METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

**NOTE 4 - CAPITAL ASSETS**

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

<b>Governmental activities</b>	<b>Balance at December 31, 2016</b>	<b>Additions</b>	<b>Transfers and Retirements</b>	<b>Balance at December 31, 2017</b>
Capital assets, being depreciated:				
Toe and interceptor drains	\$ -	\$ 12,690	\$ -	\$ 12,690
Total capital assets, being depreciated	<u>-</u>	<u>12,690</u>	<u>-</u>	<u>12,690</u>
Less accumulated depreciation for:				
Toe and interceptor drains	-	(159)	-	(159)
Total accumulated depreciation	<u>-</u>	<u>(159)</u>	<u>-</u>	<u>(159)</u>
Total capital assets, net	<u>\$ -</u>	<u>\$ 12,531</u>	<u>\$ -</u>	<u>\$ 12,531</u>

At December 31, 2017, depreciation expense was charged to functions/programs of the District as follows:

Governmental Activities:	
General government	<u>\$ 159</u>

**NOTE 5 - LONG-TERM OBLIGATIONS**

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

	<b>Balance at December 31, 2016</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance at December 31, 2017</b>	<b>Amount Due Within One Year</b>
General Obligation Refunding Bonds Series 2015	\$ 7,270,000	\$ -	\$ 155,000	\$ 7,115,000	\$ 160,000
General Obligation Refunding Bonds Series 2015 - Premium	356,709	-	26,304	330,405	-
	<u>\$ 7,626,709</u>	<u>\$ -</u>	<u>\$ 181,304</u>	<u>\$ 7,445,405</u>	<u>\$ 160,000</u>

**SPRING MESA METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

**NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)**

**General Obligation Refunding Bonds, Series 2015**

On December 11, 2015, the District issued \$7,420,000 of General Obligation Refunding Bonds, Series 2015 ("Series 2015 Bonds") for the purpose of refunding all of the District's outstanding Convertible Capital Appreciation Limited Tax General Obligation Bonds, Series 2006, and the Subordinate Limited Tax General Obligation Bonds, Series 2010 ("Refunded Bonds"), and paying the cost of issuing the Series 2015 Bonds. The Series 2015 Bonds bear interest between the rates of 2.00% - 4.25%, payable semiannually on each June 1 and December 1, commencing on June 1, 2016. The Series 2015 Bonds are due December 1, 2044, and are subject to a mandatory sinking fund redemption commencing on December 1, 2023.

The Series 2015 Bonds maturing on or after December 1, 2026 are subject to an early redemption at the option of the District, in whole or in integral multiples of \$5,000, in any order of maturity and in whole or partial maturities on December 1, 2025, and on any date thereafter, at the redemption price equal to the principal amount to be redeemed plus accrued interest thereon to the date of redemption. The Series 2015 Bonds are payable from property taxes from an unlimited mill levy to be imposed upon all taxable property within the District.

The District's long-term obligations mature as follows:

	<b>General Obligation Bonds</b>		<b>Total</b>
	<b>Principal</b>	<b>Interest</b>	
2018	160,000	275,000	435,000
2019	160,000	271,800	431,800
2020	165,000	267,000	432,000
2021	170,000	262,050	432,050
2022	175,000	256,950	431,950
2023-2027	995,000	1,181,900	2,176,900
2028-2032	1,200,000	966,875	2,166,875
2033-2037	1,480,000	693,711	2,173,711
2038-2042	1,790,000	375,189	2,165,189
2043-2044	820,000	48,475	868,475
	<u>\$ 7,115,000</u>	<u>\$ 4,598,950</u>	<u>\$ 11,713,950</u>

As of December 31, 2017, the District had remaining voted authorization of approximately \$10,357,848. The District has not budgeted to issue any additional debt in 2018. Per the District's Service Plan, the District cannot issue debt in excess of \$10,500,000 for capital costs.

**SPRING MESA METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 6 - NET POSITION**

The District has net position consisting of three components – net investment in capital assets, restricted and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes or other borrowings, if applicable, that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2017, the District had investment in capital assets (i.e., no applicable debt) in the amount of \$12,531.

The restricted component of net position includes assets that are restricted for use either externally by creditors, grantors, contributors, or laws and regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. As of December 31, 2017, the District had restricted net position of \$9,000 for emergency reserves and \$138,475 for debt service.

The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position. The District has a deficit in unrestricted net position as of December 31, 2017. This deficit amount is the result of the District being responsible for the payment of debt issued for public improvements which were conveyed to other governmental entities and which costs were removed from the District's financial records.

**NOTE 7 - INTERFUND TRANSFERS**

The District's General Fund transferred funds to the Capital Projects Fund to cover certain capital projects and repairs.

**NOTE 8 - RISK MANAGEMENT**

Except as provided in the Colorado Governmental Immunity Act, the District may be exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool). The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery, and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for liability, property, public officials' liability, and workers compensation coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool 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.

**SPRING MESA METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 9 - TAX, SPENDING AND DEBT LIMITATIONS**

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

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

On November 4, 2003 a majority of the District's electors authorized the District to collect and spend or retain in a reserve all currently levied taxes and fees of the District without regard to any limitations under TABOR.

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.

This information is an integral part of the accompanying financial statements.

**SUPPLEMENTARY INFORMATION**

**SPRING MESA METROPOLITAN DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
DEBT SERVICE FUND  
Year Ended December 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Property taxes	\$ 417,841	\$ 417,841	\$ 417,841	\$ -
Specific ownership taxes	29,249	40,822	40,822	-
Interest income	1,000	3,491	3,492	1
Total revenues	<u>448,090</u>	<u>462,154</u>	<u>462,155</u>	<u>1</u>
<b>EXPENDITURES</b>				
Bond interest	278,100	278,100	278,100	-
Bond principal	155,000	155,000	155,000	-
Paying agent fees	1,500	3,500	3,500	-
County Treasurer's fees	6,268	6,268	6,268	-
Contingency	-	132	-	132
Total expenditures	<u>440,868</u>	<u>443,000</u>	<u>442,868</u>	<u>132</u>
<b>NET CHANGE IN FUND BALANCES</b>	7,222	19,154	19,287	133
<b>FUND BALANCES - BEGINNING OF YEAR</b>	132,838	142,105	142,105	-
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 140,060</u>	<u>\$ 161,259</u>	<u>\$ 161,392</u>	<u>\$ 133</u>

**SPRING MESA METROPOLITAN DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
CAPITAL PROJECTS FUND  
Year Ended December 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Total revenues	\$ -	\$ -	\$ -	\$ -
<b>EXPENDITURES</b>				
Toe and interceptor drains	20,000	21,170	21,170	-
Contingency	-	330	-	330
Total expenditures	<u>20,000</u>	<u>21,500</u>	<u>21,170</u>	<u>330</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(20,000)</u>	<u>(21,500)</u>	<u>(21,170)</u>	<u>330</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer from (to) other funds	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	-
Total other financing sources (uses)	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	-
<b>NET CHANGE IN FUND BALANCES</b>	-	(1,500)	(1,170)	330
<b>FUND BALANCES - BEGINNING OF YEAR</b>	11,985	10,440	10,440	-
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 11,985</u>	<u>\$ 8,940</u>	<u>\$ 9,270</u>	<u>\$ 330</u>

**SPRING MESA METROPOLITAN DISTRICT  
SCHEDULE OF ASSESSED VALUATION,  
MILL LEVY AND PROPERTY TAXES COLLECTED  
December 31, 2017**

<u>Year Ended December 31,</u>	<u>Prior Year Assessed Valuation for Current Year Property Tax Levy</u>	<u>Mills Levied</u>		<u>Total Property Taxes</u>		<u>Percentage Collected to Levied</u>
		<u>General</u>	<u>Debt Service</u>	<u>Levied</u>	<u>Collected</u>	
2013	\$ 11,730,421	0.000	34.500	\$ 404,700	\$ 404,548	99.96%
2014	\$ 11,937,416	0.000	34.500	\$ 411,841	\$ 411,841	100.00%
2015	\$ 12,232,820	0.000	34.500	\$ 422,032	\$ 422,031	100.00%
2016	\$ 14,405,086	0.000	31.000	\$ 446,558	\$ 449,658	100.69%
2017	\$ 14,408,303	0.000	29.000	\$ 417,841	\$ 417,841	100.00%
Estimated for the year ending December 31,						
2018	\$ 13,834,265	0.000	29.000	\$ 401,194		

**NOTE:**

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

**SPRING MESA METROPOLITAN DISTRICT  
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY  
December 31, 2017**

**\$7,420,000**

**General Obligation Refunding Bonds, Series 2015**

**Dated December 11, 2015**

**Interest Rate Between 2.00% and 4.25%**

**Interest Payable June 1 and December 1**

**Principal Due December 1**

	<b>Principal</b>		<b>Interest</b>		<b>Total</b>
2018	\$ 160,000	\$	275,000	\$	435,000
2019	160,000		271,800		431,800
2020	165,000		267,000		432,000
2021	170,000		262,050		432,050
2022	175,000		256,950		431,950
2023	185,000		251,700		436,700
2024	190,000		244,300		434,300
2025	200,000		236,700		436,700
2026	205,000		228,700		433,700
2027	215,000		220,500		435,500
2028	220,000		211,900		431,900
2029	230,000		203,100		433,100
2030	240,000		193,900		433,900
2031	250,000		184,300		434,300
2032	260,000		173,675		433,675
2033	270,000		162,624		432,624
2034	285,000		151,149		436,149
2035	295,000		139,038		434,038
2036	310,000		126,500		436,500
2037	320,000		114,400		434,400
2038	330,000		101,925		431,925
2039	345,000		89,050		434,050
2040	360,000		75,588		435,588
2041	370,000		61,538		431,538
2042	385,000		47,088		432,088
2043	400,000		32,050		432,050
2044	420,000		16,425		436,425
	<b>\$ 7,115,000</b>	<b>\$</b>	<b>4,598,950</b>	<b>\$</b>	<b>11,713,950</b>

**CONTINUING DISCLOSURE ANNUAL FINANCIAL INFORMATION - UNAUDITED**

**SPRING MESA 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 Co. of Colorado (Xcel Energy)	\$ 193,030	1.40%
Private Homeowner # 1	64,914	0.47%
Private Homeowner # 2	62,517	0.45%
Private Homeowner # 3	62,302	0.45%
Private Homeowner # 4	61,319	0.44%
Private Homeowner # 5	61,162	0.44%
Private Homeowner # 6	60,422	0.44%
Private Homeowner # 7	60,332	0.44%
Private Homeowner # 8	59,931	0.43%
Private Homeowner # 9	59,564	0.43%
Total	<u>\$ 745,493</u>	<u>5.39%</u>

**NOTE:**

Percentages are based on a 2017 certified assessed valuation of \$13,834,265.

**SPRING MESA METROPOLITAN DISTRICT  
 ASSESSED VALUATION OF CLASSES  
 OF PROPERTY IN THE DISTRICT  
 December 31, 2017  
 UNAUDITED**

<u>Class</u>	<u>2017 Assessed Valuation</u>	<u>Percentage of Assessed Valuation</u>
Residential	\$ 13,641,139	98.60%
State Assessed	193,030	1.40%
Natural Resources	96	0.00%
Total	<u>\$ 13,834,265</u>	<u>100.00%</u>

**SPRING MESA METROPOLITAN DISTRICT  
 SELECTED DEBT RATIOS OF THE DISTRICT  
 December 31, 2017  
 UNAUDITED**

	<b>Amount</b>
Direct Debt (Consisting of the Bonds)	\$ 7,115,000
2017 Assessed Valuation	\$ 13,834,265
Direct Debt to 2017 Assessed Valuation	51.43%
2017 Total Actual Value of all Taxable Property (Actual Value)	\$ 190,126,265
Direct Debt to 2017 Actual Value	3.74%