

**ERIE COMMONS METROPOLITAN DISTRICT NO. 2**

**FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2017**

**E**

**RECEIVED**

Office of the State Auditor

June 5, 2018

**ERIE COMMONS METROPOLITAN DISTRICT NO. 2  
TABLE OF CONTENTS  
YEAR ENDED DECEMBER 31, 2017**

<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1</b>
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	<b>3</b>
<b>BASIC FINANCIAL STATEMENTS</b>	
<b>GOVERNMENT-WIDE FINANCIAL STATEMENTS</b>	
<b>STATEMENT OF NET POSITION</b>	<b>7</b>
<b>STATEMENT OF ACTIVITIES</b>	<b>8</b>
<b>FUND FINANCIAL STATEMENTS</b>	
<b>BALANCE SHEET</b>	<b>9</b>
<b>RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL         FUND TO THE STATEMENT OF NET POSITION</b>	<b>10</b>
<b>STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN         FUND BALANCE – GOVERNMENTAL FUND</b>	<b>11</b>
<b>RECONCILIATION OF THE STATEMENT OF REVENUES,         EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE         STATEMENT OF ACTIVITIES</b>	<b>12</b>
<b>NOTES TO FINANCIAL STATEMENTS</b>	<b>13</b>
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
<b>SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND     BALANCE – BUDGET AND ACTUAL – GENERAL FUND</b>	<b>20</b>

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Erie Commons Metropolitan District No. 2  
Erie, Colorado

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

We have audited the accompanying financial statements of the governmental activities and the major fund of Erie Commons Metropolitan District No. 2, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the entity'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.

### **Auditors' 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 auditors' 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 the major fund of Erie Commons Metropolitan District No. 2 as of December 31, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison information on pages 3-6 and page 20 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



**CliftonLarsonAllen LLP**

Greenwood Village, Colorado  
February 14, 2018

**ERIE COMMONS METROPOLITAN DISTRICT NO. 2  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2017**

The discussion and analysis is designed to provide an analysis of the District's financial condition and operating results and to inform the reader on the District's financial issues and activities.

The Management's Discussion and Analysis (MD & A) should be read in conjunction with the District's financial statements.

**Financial Highlights**

- Property taxes decreased by \$48,239, or 3.93%, over 2016.

**Overview of the Financial Statements**

Management's discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The basic financial statements, presented on pages 7-19 are comprised of three components: 1) Government-wide financial statements, 2) Fund financial statements, and 3) Notes to the basic financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

**Government-wide Financial Statements**

The government-wide financial statements are designed to provide the reader of the District's basic financial statements a broad overview of the financial activities in a manner similar to a private sector business. The government-wide financial statements include the statement of net position and the statement of activities.

The statement of net position presents information about all of the District's assets, liabilities, and deferred outflows and inflows of resources. The difference between assets, liabilities, and deferred outflows and inflows of resources is reported as net position. Over time, changes in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the net position of the District changed during the current fiscal year. Changes in net position are recorded in the statement of activities when the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement even though the resulting cash flow may be recorded in a future period.

The government-wide financial statements consolidate governmental activities that are supported from taxes and intergovernmental revenues. Governmental activities consolidate governmental funds including the general fund. The government-wide financial statements can be found on pages 7-8.

**Fund Financial Statements**

Fund financial statements are designed to demonstrate compliance with finance-related legal requirements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for special objectives. The District uses governmental funds to account for its activity.

**ERIE COMMONS METROPOLITAN DISTRICT NO. 2  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2017**

Governmental funds account for essentially the same information reported in the governmental activities of the government-wide financial statements. However, unlike the government-wide statements, the governmental fund financial statements focus on near-term financial resources and fund balances. Such information may be useful in evaluating financing requirements in the near term.

Since the governmental funds and the governmental activities report information using the same functions, it is useful to compare the information presented. Because the focus of each report differs, reconciliations are provided on the fund financial statements to assist the reader in comparing the near-term requirements with the long-term needs.

All of the District's activities are reported in a single governmental fund, the general fund, which focuses on how money flows into and out of that fund and the balance left at year-end available for spending in future periods.

The District adopts an annual budget for the governmental fund. A budgetary comparison schedule for the general fund is included in the required supplementary information.

The basic governmental fund financial statements can be found on pages 9-12 of this report.

**Notes to the Basic Financial Statements**

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes can be found on pages 13-18 of this report.

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also contains required supplementary information concerning the District's budgetary comparisons. Required supplementary information can be found on page 20 of this report.

**Government-wide Financial Analysis**

**Government-wide Net Position**

The assets of the District are classified as current assets. Cash and investments, and receivables are current assets. These assets are available to provide resources for the near-term operations of the District. The majority of the current assets are property taxes receivable.

Current and noncurrent liabilities are classified based on anticipated liquidation either in the near-term or in the future. Current liabilities include accounts payable and accrued interest. The liquidation of current liabilities is anticipated to be either from current available resources, current assets or new resources that become available during fiscal year 2018.

Deferred inflows of resources related to deferred property tax revenue increased by \$185,614, which is attributable to an increase in assessed valuation within the District.

The assets of the primary government activities exceed deferred inflows of resources by \$22,299 with which is restricted for TABOR and debt service.

**ERIE COMMONS METROPOLITAN DISTRICT NO. 2  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2017**

**Government-wide Total Assets as compared to Total Deferred Inflows of Resources and Total Net Position:**

	Net Position	
	2017	2016
Assets:		
Current	\$ 1,386,864	\$ 1,252,001
Total Assets	1,386,864	1,252,001
Deferred Inflows of Resources:		
Property Tax Revenue	1,364,565	1,178,951
Total Deferred Inflows of Resources	1,364,565	1,178,951
Net Position:		
Restricted	20,241	17,121
Restricted for Debt Service	2,058	55,929
Total Net Position	\$ 22,299	\$ 73,050

**Government-wide Activities**

Government activities decreased the net position of the District by \$50,751. The details of this decrease are shown in the following schedule:

**The District's Changes in Net Position**

	Governmental Activities	
	2017	2016
Revenues:		
General Revenue:		
Property Taxes	\$ 1,178,154	\$ 1,226,393
Specific Ownership Taxes	91,555	71,647
Intergovernmental - Erie Commons Metropolitan District No. 1	11,401	11,566
Investment Income	5,866	-
Miscellaneous Revenue	797	2,360
Total Revenue	1,287,773	1,311,966
Expenses:		
Governmental Activities:		
General Government	1,338,524	1,294,772
Total Expense	1,338,524	1,294,772
Total Change in Net Position	(50,751)	17,194
Net Position - Beginning of Year	73,050	55,856
Net Position - End of Year	\$ 22,299	\$ 73,050

Key elements of the decrease in net position for governmental activities are as follows:

- Property tax revenue decreased \$48,239 due to the decrease in the oil and gas valuations in the District.
- General government expenses increased \$43,752 mainly due to an increase in transfers to Erie Commons Metropolitan District No. 1 during 2017.

**ERIE COMMONS METROPOLITAN DISTRICT NO. 2  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2017**

Business-type activities are comprised of services that would be provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The District does not have any business-type activities.

**Financial Analysis of the District's Governmental Funds**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

All of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine where there are more or fewer financial resources that can be spent in the near future. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's one governmental fund, the general fund, reported an ending fund balance of \$22,299.

The general fund is the chief operating fund of the District. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Actual expenditures of the general fund amounted to \$1,338,524. Total general fund balance represents 1.67% of expenditures.

**General Fund Budgetary Highlights**

There were no significant differences in budget to actual for fiscal year 2017.

**Economic Factors and Next Year's Budgets and Rates**

- The assessed valuation of property in the District increased by 4.81% in 2017 mainly because of an increase in home values. The property tax mill rate will increase to 55.275 mills in 2018 due to a decrease in the residential assessment ratio during 2017.

***Requests for Information***

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District. Questions concerning any of the information provided in this report or requests for additional information shall be addressed to:

Erie Commons Metropolitan District No. 2  
Mr. Steve Rane  
2500 Arapahoe, Suite 220  
Boulder, Colorado 80302

**ERIE COMMONS METROPOLITAN DISTRICT NO. 2**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2017**

	Governmental Activities
<b>ASSETS</b>	
Cash and Investments	\$ 13,636
Due from County Treasurer	6,409
Prepaid Items	2,254
Property Taxes Receivable	1,364,565
Total Assets	1,386,864
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Property Tax Revenue	1,364,565
Total Deferred Inflows of Resources	1,364,565
 <b>NET POSITION</b>	
Restricted for TABOR	20,241
Restricted for Debt Service	2,058
Total Net Position	\$ 22,299

See accompanying Notes to Financial Statements.

**ERIE COMMONS METROPOLITAN DISTRICT NO. 2**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2017**

Functions/Programs	Expenses	Program Revenue	Net (Expense) Revenue and Changes in Net Position <u>Governmental Activities</u>
<b>Governmental Activities:</b>			
General Government	\$ 1,338,524	\$ -	\$ (1,338,524)
	<u>\$ 1,338,524</u>	<u>\$ -</u>	<u>(1,338,524)</u>
<b>General Revenues:</b>			
Property Taxes			1,178,154
Specific Ownership Taxes			91,555
Transfers from District No. 1			11,401
Net Investment Income			5,866
Miscellaneous Income			797
Total General Revenues			<u>1,287,773</u>
<b>Change in Net Position</b>			(50,751)
Net Position - Beginning of Year			<u>73,050</u>
<b>Net Position - End of Year</b>			<u>\$ 22,299</u>

See accompanying Notes to Financial Statements.

**ERIE COMMONS METROPOLITAN DISTRICT NO. 2  
BALANCE SHEET  
DECEMBER 31, 2017**

	<u>General Fund</u>
<b>ASSETS</b>	
Cash and Investments	\$ 13,636
Due from County Treasurer	6,409
Prepaid Items	2,254
Property Taxes Receivable	<u>1,364,565</u>
Total Assets	<u><u>\$ 1,386,864</u></u>
<b>DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Property Tax Revenue	<u>\$ 1,364,565</u>
Total Deferred Inflows of Resources	1,364,565
<b>FUND BALANCE</b>	
Nonspendable	2,254
Restricted for TABOR	20,241
Unassigned	<u>(196)</u>
Total Fund Balance	<u>22,299</u>
Total Deferred Inflows of Resources and Fund Balance	<u><u>\$ 1,386,864</u></u>

See accompanying Notes to Financial Statements.

**ERIE COMMONS METROPOLITAN DISTRICT NO. 2  
RECONCILIATION OF THE BALANCE SHEET OF  
GOVERNMENTAL FUND TO THE STATEMENT OF NET POSITION  
DECEMBER 31, 2017**

Total Fund Balance - Total Governmental Fund	<u>\$ 22,299</u>
--	------------------

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

Net Position of Governmental Activities	<u><u>\$ 22,299</u></u>
---	-------------------------

**ERIE COMMONS METROPOLITAN DISTRICT NO. 2  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE – GOVERNMENTAL FUND  
YEAR ENDED DECEMBER 31, 2017**

	<u>General Fund</u>
<b>REVENUES</b>	
Property Taxes	\$ 1,178,154
Specific Ownership Taxes	91,555
Intergovernmental - Erie Commons Metropolitan District No. 1	11,401
Net Investment Income	5,866
Miscellaneous Revenue	797
Total Revenues	<u>1,287,773</u>
<b>EXPENDITURES</b>	
Current:	
Intergovernmental - Erie Commons Metropolitan District No. 1	1,309,438
County Treasurer's Fees	17,690
Audit	9,100
Insurance	2,001
Miscellaneous	295
Total Expenditures	<u>1,338,524</u>
<b>NET CHANGE IN FUND BALANCE</b>	(50,751)
Fund Balance - Beginning of Year	<u>73,050</u>
<b>FUND BALANCE - END OF YEAR</b>	<u><u>\$ 22,299</u></u>

See accompanying Notes to Financial Statements.

**ERIE COMMONS METROPOLITAN DISTRICT NO. 2  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND TO  
THE STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2017**

Net Change in Fund Balance - Total Governmental Fund	<u>\$ (50,751)</u>
Amounts reported for governmental activities in the statement of activities are different because:	
Change in Net Position of Governmental Activities	<u>\$ (50,751)</u>

*See accompanying Notes to Financial Statements.*

**ERIE COMMONS METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**NOTE 1 DEFINITION OF REPORTING ENTITY**

Erie Commons Metropolitan District No. 2 (District), a quasi-municipal corporation and political subdivision of the State of Colorado, was organized by order and decree of the District Court, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District operates under a Consolidated Service Plan with Erie Commons Metropolitan District No. 1 (District No. 1) approved by the Town of Erie on July 8, 2003 and as amended on January 4, 2005. Pursuant to the Service Plan, the District, the financing district, is intended to provide funding to District No. 1, the operating district, for construction, operation and maintenance of the public improvements, while District No. 1 is intended to manage the financial, construction and operation and maintenance of such improvements.

The District was established to provide financing for the design, acquisition, construction, and completion of public improvements, including streets, traffic and safety controls and devices, transportation services, park and recreation, water, mosquito and pest control and sanitation facilities, generally located in the collector roadway system. The operation and maintenance of all other services and facilities is anticipated to be provided by the Town of Erie and not by the District.

The District has no employees and all services are contracted.

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, including District No. 1 and the Town of Erie.

**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. Governmental activities are normally supported by taxes.

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

**ERIE COMMONS METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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

**Government-Wide and Fund Financial Statements (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 charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**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 government 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. Expenditures generally are recorded when a liability is incurred as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

The District reports the following major governmental fund:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government.

**Budgets**

In accordance with the State 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 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. During fiscal year 2017, the board increased budgeted expenditures by \$83,751.

**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.

**ERIE COMMONS METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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

**Property Taxes (Continued)**

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 sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District. During fiscal year 2017, the property tax mill rate increased from 50 mills to 55.275 mills due to a decrease in the residential assessment ratio of 7.96% to 7.20%. The increase in mills certified in December 2017 will be collected in fiscal year 2018.

**Fund Balance**

As of December 31, 2017, fund balances of governmental funds are classified as follows:

Nonspendable – amounts that cannot be spent either because they are not spendable in form or because they are legally or contractually required to be maintained intact. This includes amounts that are not expected to be converted to cash, for example, prepaid amounts.

Restricted – amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation.

Committed – amounts that are subject to a purpose constraint imposed by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. Commitments may be established, modified or rescinded only through resolutions approved by the Board.

Assigned – amounts that are subject to a purpose constraint that represents an intended use established by the District in its budget process. The purpose of the assignment must be narrower than the purpose of the General Fund.

Unassigned – represents the residual classification for the District's General Fund and could report a surplus or deficit. The District has a deficit unassigned fund balance of \$196 in fiscal year 2017. This will be resolved in fiscal year 2018 with the collection of property taxes.

**Restricted Fund Balance**

Emergency Reserves have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado. In compliance with this requirement, \$20,241 of the General Fund balance has been restricted.

The District also has \$2,058 of restricted fund balance related to requirements of District No. 1 (see Note 5).

The District's order of fund balance spending policy is to apply expenditures against restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance. The District reserves the right to selectively spend unassigned fund balance.

**ERIE COMMONS METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**NOTE 3 CASH AND INVESTMENTS**

Cash and investments reflected on the statement of net position as of December 31, 2017 consist of the following:

Restricted	\$ 13,636
Total Cash and Investments	\$ 13,636

**Investments**

The District has not adopted a formal investment policy; however, it 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 disclosure requirements or subject to investment custodial credit risk for investments that are in the possession of another party.

Colorado revised statutes limit investment maturities to five years or less depending on the specific investment held unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements. Revenue bonds of U.S. local government securities, corporate and bank securities and guaranteed investment contracts not purchased with bond proceeds are limited to maturities of three years or less.

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

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

Investment	Maturity	Fair Value
Colorado Surplus Asset Fund Trust	Less than One Year	\$ 13,636

**ERIE COMMONS METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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

**Colorado Surplus Asset Trust Fund**

As of December 31, 2017, the District had invested \$13,636 in the Colorado Surplus Asset Fund 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 is rated AAAM by Standard & Poor's and is valued at amortized cost. Based on the valuation method, additional disclosures are not required under GASB Statement No. 72.

**NOTE 4 RELATED PARTY**

Two of the five members of the Board of Directors are employees or are associated with Bellock Construction Company, accountants for the District, and Community Development Group of Erie, Inc. (CDG of Erie, Inc.), the developer within the District. During 2017, Districts No. 1 and No. 2 had two of five of the same Board of Directors.

**Accounting Services Agreement**

An accounting services contract was entered into with Bellock Construction Company during March 2003. This agreement was subsequently amended on March 25, 2004. Under this amended agreement, accounting services are provided to the District at the annual hourly rates of Bellock Construction Company employees. During 2017, the District did not incur accounting services fees.

**NOTE 5 DISTRICT FACILITIES CONSTRUCTION AND SERVICE AGREEMENT (SERVICE CONTRACT)**

In order to implement the Service Plan, the District entered into an intergovernmental agreement with District No. 1. The agreement shall remain in full force and effect until such time as each of the terms and conditions has been performed in their entirety or until the agreement is terminated by mutual written agreement of the Districts.

District No. 1 is to construct the facilities benefiting the two Districts and transfer them to the Town of Erie or the HOA. The District will, to the extent that it benefits, pay the capital costs and the service costs of operation and maintenance of such facilities (authorized service costs), until the facilities are transferred to the Town of Erie or the HOA.

The District is required to fund, on an annual basis, the amount of actual service costs that it would be capable of funding through property tax revenue plus other fee revenue as determined in the annual budget. If the Districts disagree as to the amount to be paid, then the District must pay District No. 1 the amount set forth in the annual budget. The mill levy cap shall be subject to automatic adjustment if, after the original date of approval of the Service Plan, the laws of the State change with respect to the assessment of property for taxation purposes, the ratio for determining assessed valuation changes, or other similar changes occur. During fiscal year 2017, the Colorado legislature reduced the residential assessment ratio from 7.96% to 7.20% causing the property tax mill rate for general obligation bonds and service costs to increase from 50 mills to 55.275 mills.

**ERIE COMMONS METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**NOTE 6 RISK MANAGEMENT**

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

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2017. 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 during the past three years.

The District pays annual premiums to the Pool for liability and public officials liability 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.

**NOTE 7 TAX, SPENDING AND DEBT LIMITATIONS**

Article X, Section 20 of the Colorado Constitution, referred to 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.

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 5, 2005 and November 4, 2003, a majority of the District's electors authorized the District to collect and spend or retain in a reserve all annual District revenue without regard to any limitations under TABOR.

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 and qualification as an enterprise, will require judicial interpretation.

**REQUIRED SUPPLEMENTARY INFORMATION**

**ERIE COMMONS METROPOLITAN DISTRICT NO. 2**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE – BUDGET AND ACTUAL**  
**GENERAL FUND**  
**YEAR ENDED DECEMBER 31, 2017**

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property Taxes	\$ 1,178,951	\$ 1,178,154	\$ 1,178,154	\$ -
Specific Ownership Taxes	57,179	91,555	91,555	-
Intergovernmental - Erie Commons				
Metropolitan District No. 1	12,650	11,401	11,401	-
Net Investment Income	1,750	5,866	5,866	-
Miscellaneous Income	-	797	797	-
Total Revenues	<u>1,250,530</u>	<u>1,287,773</u>	<u>1,287,773</u>	<u>-</u>
<b>EXPENDITURES</b>				
Current:				
Intergovernmental - Erie Commons				
Metropolitan District No. 1	1,224,439	1,309,438	1,309,438	-
County Treasurer's Fees	17,684	17,690	17,690	-
Audit	9,250	9,100	9,100	-
Insurance	2,300	2,001	2,001	-
Miscellaneous	1,100	295	295	-
Total Expenditures	<u>1,254,773</u>	<u>1,338,524</u>	<u>1,338,524</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	(4,243)	(50,751)	(50,751)	-
Fund Balances - Beginning of Year	<u>24,004</u>	<u>73,050</u>	<u>73,050</u>	<u>-</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 19,761</u>	<u>\$ 22,299</u>	<u>\$ 22,299</u>	<u>\$ -</u>