

Four Mile Ranch Metropolitan District No. 1
Fremont County, Colorado

AUDITOR'S REPORT AND FINANCIAL STATEMENTS
December 31, 2017

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Office of the State Auditor

September 28, 2018

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**Haynie &
Company**

Certified Public Accountants (a professional corporation)

1221 West Mineral Ave, Ste. 202 Littleton, Colorado 80120-4544 (303) 734-4800 Fax (303) 795-3356

Independent Auditor's Report

Members of the Board of Directors
Four Mile Ranch Metropolitan District No. 1

We have audited the accompanying financial statements of the governmental activities and the major funds of Four Mile Ranch Metropolitan District No. 1 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 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 of 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 the major funds of Four Mile Ranch Metropolitan District No. 1, as of December 31, 2017 and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.



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Other-Matters

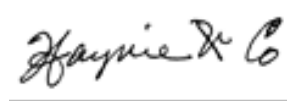
Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Four Mile Ranch Metropolitan District No. 1's financial statements as a whole. The supplementary information section is presented for purposes of additional analysis and is not a required part of the financial statements.

The supplementary information as listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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.

A handwritten signature in cursive script, reading "Haynie & Co", enclosed in a rectangular box.

Littleton, Colorado
September 11, 2018

BASIC FINANCIAL STATEMENTS

Four Mile Ranch Metropolitan District No. 1
Statement of Net Position
December 31, 2017

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents - unrestricted	\$ 33,973
Cash and cash equivalents - restricted	246,991
Investments	27,595
Property taxes receivable	244,189
Other receivables	3,794
Capital assets, net	314,077
Total assets	<u>870,619</u>
LIABILITIES	
Accounts payable	3,645
Accrued loan interest payable	9,291
Noncurrent liabilities:	
Due in one year	82,200
Due in more than one year	8,355,015
Total liabilities	<u>8,450,151</u>
DEFERRED INFLOWS OF RESOURCES	
Property tax revenue	<u>244,189</u>
Total liabilities and deferred inflows of resources	<u>8,694,340</u>
NET POSITION	
Restricted for:	
Emergency reserves	3,752
Debt service	264,464
Unrestricted (deficit)	<u>(8,091,937)</u>
Total net position (deficit)	<u><u>\$ (7,823,721)</u></u>

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

**Four Mile Ranch Metropolitan District No. 1
Statement of Activities
Year Ended December 31, 2017**

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Primary government:					
Government activities:					
General government	\$ 56,805	\$ -	\$ -	\$ -	\$ (56,805)
Interest and related costs on long-term debt	246,660	-	-	-	(246,660)
	<u>\$ 303,465</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(303,465)</u>
General revenues:					
Property taxes					236,048
Specific ownership taxes					40,270
Development fees					71,000
Investment earnings					2,076
Total general revenues					<u>349,394</u>
Change in net position					45,929
Net position (deficit) - Beginning					<u>(7,869,650)</u>
Net position (deficit) - Ending					<u>\$ (7,823,721)</u>

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

Four Mile Ranch Metropolitan District No. 1
Balance Sheet
Governmental Funds
December 31, 2017

	General	Debt Service	Total Governmental Funds
ASSETS			
Cash and cash equivalents - unrestricted	\$ 33,973	\$ -	\$ 33,973
Cash and cash equivalents - restricted	-	246,991	246,991
Investments	13,101	14,494	27,595
Property taxes receivable	64,411	179,778	244,189
Other receivables	815	2,979	3,794
TOTAL ASSETS	\$ 112,300	\$ 444,242	\$ 556,542
LIABILITIES			
Accounts payable and accrued liabilities	3,645	-	3,645
Total liabilities	3,645	-	3,645
DEFERRED INFLOWS OF RESOURCES			
Property tax revenue	64,411	179,778	244,189
Total liabilities & deferred inflows	68,056	179,778	247,834
FUND BALANCES			
Restricted for:			
Emergency reserves (TABOR)	3,752	-	3,752
Debt service	-	264,464	264,464
Unassigned	40,492	-	40,492
Total fund balances	44,244	264,464	308,708
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 112,300	\$ 444,242	

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

Capital assets used in governmental activities are not financial resources; therefore, are not reported as assets in the funds.	314,077
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	
Bond payable	(2,815,400)
Accrued bond interest payable	(9,291)
Developer advances payable	(5,568,435)
Accrued developer advance interest payable	(53,380)
Net position (deficit) of governmental activities	\$ (7,823,721)

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

Four Mile Ranch Metropolitan District No. 1
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
Year Ended December 31, 2017

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
REVENUES			
Property taxes	\$ 45,687	\$ 190,361	\$ 236,048
Specific ownership taxes	7,794	32,476	40,270
Interest income	573	1,503	2,076
Development fees	71,000	-	71,000
Total revenues	<u>125,054</u>	<u>224,340</u>	<u>349,394</u>
EXPENDITURES			
Current			
Accounting	10,704	-	10,704
County Treasurer's fees	1,372	-	1,372
Director Fees	754	-	754
Insurance and bonds	2,013	-	2,013
Landscape Maintenance & Repairs	15,684	-	15,684
Legal	25,311	-	25,311
Miscellaneous	967	-	967
Debt service			
Bond principal	-	72,000	72,000
Bond interest	-	80,358	80,358
Costs of issuance	-	161,575	161,575
Paying agent fees	-	750	750
Total expenditures	<u>56,805</u>	<u>314,683</u>	<u>371,488</u>
EXCESS OF REVENUES OVER (UNDER)			
EXPENDITURES	<u>68,249</u>	<u>(90,343)</u>	<u>(22,094)</u>
OTHER FINANCING SOURCES (USES)			
Loan proceeds	-	2,887,400	2,887,400
Refund Series 2010 Loan	-	(2,749,832)	(2,749,832)
Total other financing sources (uses)	<u>-</u>	<u>137,568</u>	<u>137,568</u>
EXCESS OF REVENUES AND OTHER			
FINANCING SOURCES OVER (UNDER)			
EXPENDITURES AND OTHER USES	<u>68,249</u>	<u>47,225</u>	<u>115,474</u>
FUND BALANCES - BEGINNING			
OF YEAR	<u>(24,005)</u>	<u>217,239</u>	<u>193,234</u>
FUND BALANCES - END OF YEAR	<u>\$ 44,244</u>	<u>\$ 264,464</u>	<u>\$ 308,708</u>

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

**Four Mile Ranch Metropolitan District No. 1
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	\$ 115,474
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The issuance of long-term (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the 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 and related items is as follows:

Loan proceeds - Series 2017	(2,887,400)
Loan principal refunded - Series 2010	2,749,832
Loan principal payment - Series 2017	72,000

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Accrued interest on bonds payable - Change in liability	(3,977)
Change in net position of governmental activities	<u>\$ 45,929</u>

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

Four Mile Ranch Metropolitan District No. 1
General Fund
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Year Ended December 31, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Property taxes	\$ 45,757	\$ 45,757	\$ 45,687	\$ (70)
Specific ownership taxes	6,406	7,200	7,794	594
Net investment income	400	400	573	173
Development fee	10,000	50,000	71,000	21,000
Total revenues	<u>62,563</u>	<u>103,357</u>	<u>125,054</u>	<u>21,697</u>
EXPENDITURES				
Current				
Accounting	11,000	11,000	10,704	296
County treasurer's fees	1,373	1,373	1,372	1
Insurance and bonds	2,114	2,013	2,013	-
Landscape maintenance & repairs	15,000	16,000	15,684	316
Legal services	15,000	30,000	25,311	4,689
Miscellaneous	500	1,000	967	33
Contingency	-	5,000	-	5,000
Director fees	-	-	754	(754)
Total expenditures	<u>44,987</u>	<u>66,386</u>	<u>56,805</u>	<u>9,581</u>
NET CHANGE IN FUND BALANCE	<u>17,576</u>	<u>36,971</u>	<u>68,249</u>	<u>31,278</u>
FUND BALANCE - BEGINNING OF YEAR	<u>(16,975)</u>	<u>(16,975)</u>	<u>(24,005)</u>	
FUND BALANCE - END OF YEAR	<u>\$ 601</u>	<u>\$ 19,996</u>	<u>\$ 44,244</u>	

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

Four Mile Ranch Metropolitan District No. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 1 - DEFINITION OF REPORTING ENTITY

Four Mile Ranch Metropolitan District No. 1 (District), a quasi-municipal corporation, was organized in 2003, and is governed pursuant to provisions of the Colorado Special District Act (Title 32). The District operates under a service plan approved by Cañon City on September 4, 2003. The District's service area is located in Cañon City in Fremont County, Colorado. The District was established to finance public infrastructure required by the development, which is within the District, and to provide an ongoing governmental structure for the operations and maintenance of District improvements and facilities.

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

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

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. For the most part, the effect of interfund activity has been removed from these statements. These financial statements include all of the activities of the District. Governmental activities are normally supported by property taxes.

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

Four Mile Ranch Metropolitan District No. 1
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 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. Redemption of bonds is 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 major sources of revenue susceptible to accrual are property taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. The District determined that Developer advances are not considered as revenue susceptible to accrual. Expenditures, other than interest on long-term obligations are recorded when the liability is incurred or the long-term obligation paid.

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. Revenues are derived primarily from property taxes, other taxes, development fees, and interest income.

The Debt Service Fund accounts for the resources that are restricted, committed or assigned for principal and interest on long-term general obligation debt of the governmental funds, as well as financial resources being accumulated for future debt service.

Four Mile Ranch Metropolitan District No. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

The District's 2017 budget was amended to allow for additional expenditures.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position

Cash and Investments

The District's cash and investments include 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 on the net asset method.

Property Taxes

Property taxes are levied by the District 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 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.

Property taxes are considered fully collectible and are recorded initially as deferred inflows of resources in the year they are levied and measurable. Property tax revenues are recorded as revenue in the year they are available or collected.

Four Mile Ranch Metropolitan District No. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets, which consist of landscaping, are reported in the applicable governmental activities column 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. Such assets are recorded in historical cost 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 asset or materially extend the life of the asset are not capitalized.

Depreciation expense has been computed using the straight-line method over the following estimated economic useful lives:

Parks and recreation	20 years
Detention ponds	20 years

Deferred Outflows of Resources and Deferred Inflows of Resources

A deferred inflow of resources is an acquisition of net position by a government that is applicable to a future reporting period and a deferred outflow of resources is a consumption of net position by a government that is applicable to a future reporting period. Both deferred inflows and outflows are reported in the statement of net position but are not recognized in the financial statement as revenues and expenses until the period(s) to which they relate. Deferred inflows of resources in the governmental fund financial statements of the District for the year ended December 31, 2017 are comprised of property taxes due from Fremont County that will not be collected within 60 days of the end of the current fiscal year. Deferred inflows of resources in the government-wide financial statements represents property taxes for which an enforceable legal claim to assets exists, but for which the levy pertains to the subsequent year.

Long-term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Long-term debt is reported gross.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Four Mile Ranch Metropolitan District No. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance – Governmental Funds

The fund balances for the District's governmental funds are displayed in up to five components:

Nonspendable – amounts that are not in a spendable form or are required to be maintained intact.

Restricted – amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

- Emergency Reserves of \$3,752 have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado (see Note 8).
- The restricted fund balance in the Debt Service Fund in the amount of \$264,464 is to be used exclusively for the payment of future general obligation bond principal, interest and related costs.

Committed – amounts that can be used only for the specific purposes determined by resolution of the Board. Commitments may be changed or lifted only by issuance of a resolution by the District's Board. There is no committed fund balance for the year ended December 31, 2017.

Assigned – Amounts intended to be used by the District for specific purposes as determined by management. In governmental funds other than the General Fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund. There is no assigned fund balance for the year ended December 31, 2017.

Unassigned – the residual classification for the General Fund and includes all amounts not contained in the other classifications.

The District considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. The District applies committed amounts first, followed by assigned amounts, and then unassigned amounts when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Four Mile Ranch Metropolitan District No. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 3 - CASH AND INVESTMENTS

Investments as of December 31, 2017, are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and cash equivalents – Restricted	\$ 246,991
Cash and cash equivalents – Unrestricted	33,973
Investments	<u>27,595</u>
	<u>\$ 308,559</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 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.

At December 31, 2017, the District had \$280,964 in cash deposits, which is fully insured by FDIC coverage and PDPA collateral.

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 disclosure requirements or subject to investment custodial risk for investments that are in the possession of another party.

Colorado revised statutes limit investment maturities to five years or less (depending upon the type of investment) unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

Four Mile Ranch Metropolitan District No. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

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
- 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

The local government investment pools, which includes the Colorado Surplus Asset Fund Trust (CSAFE) is rated AAAM by Standard & Poor's. CSAFE records its investments at fair value and the District records its investment in CSAFE using the net asset value method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

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

Investment	Maturity	Fair Value
CSAFE	Less than 1 year	<u>\$ 27,595</u>

NOTE 4 – CAPITAL ASSETS

The following is an analysis of the changes in capital assets for the year ended December 31, 2017:

	<u>Balance at December 31, 2016</u>	<u>Additions</u>	<u>Transfers and Retirements</u>	<u>Balance at December 31, 2017</u>
Capital Assets, being depreciated:				
Park	\$ 138,863	-	-	\$ 138,863
Detention Area	<u>384,599</u>	<u>-</u>	<u>-</u>	<u>384,599</u>
	523,462	-	-	523,462
Less accumulated depreciation	<u>(183,212)</u>	<u>(26,173)</u>	<u>-</u>	<u>(209,385)</u>
Total Capital Assets, net	<u>\$ 340,250</u>	<u>(26,173)</u>	<u>-</u>	<u>\$ 314,077</u>

Four Mile Ranch Metropolitan District No. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 5 - LONG-TERM OBLIGATIONS

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

	<u>Balance at December 31, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at December 31, 2017</u>	<u>Due Within One Year</u>
Series 2017 Refunding Loan	\$ -	\$ 2,887,400	\$ (72,000)	\$ 2,815,400	\$ 82,200
Series 2010 Debt	2,685,000	-	(2,685,000)	-	-
Developer Advances	5,568,435	-	-	5,568,435	-
Accrued Interest - Developer Advances	48,272	5,108	-	53,380	-
	<u>\$ 8,301,707</u>	<u>\$ 2,892,508</u>	<u>\$ (2,757,000)</u>	<u>\$ 8,437,215</u>	<u>\$ 82,200</u>

\$3,065,000 General Obligation Variable Rate Refunding Debt, Series 2010

In 2010, the District issued \$3,065,000 in a General Obligation Variable Rate Refunding Debt, Series 2010, for the purpose of refunding the District's outstanding General Obligation Variable Rate Bonds, Series 2005. The 2010 debt was due December 1, 2032, with an initial interest rate of 5.125%, paid annually on December 1. This debt was refunded on October 16, 2017.

\$2,887,400 General Obligation (Limited Tax Convertible to Unlimited Tax) Loan, Series 2017

On October 16, 2017, the District issued \$2,887,400 General Obligation (Limited Tax Convertible to Unlimited Tax) Loan, Series 2017. The debt matures on December 5, 2038, and bears an initial interest rate of 3.96% per annum, calculated on the basis of a 360-day year and actual number of days elapsed in any applicable period, payable semi-annually on June 5 and December 5, commencing December 5, 2017, until maturity. The interest rate is fixed until October 16, 2022, at which time the rate will reset the most recent weekly average of the Five Year Treasury Yield (as published in the Federal Reserve Statistical Release) plus 2.27%. The interest rate will reset again on October 16, 2027, October 16, 2032, and October 16, 2037. The loan may be prepaid at the option of the District, in whole or in part, on any date, at a prepayment price equal to the Loan principal.

Debt Authorization

On November 4, 2003, a majority of the voters of the District authorized the issuance of indebtedness in an amount not to exceed \$110,000,000 at an interest rate not to exceed 18% per annum. As of December 31, 2017, the District had authorized but unissued indebtedness allocated for the following purposes:

Four Mile Ranch Metropolitan District No. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

	<u>Authorized November 4, 2004 Election</u>	<u>Authorization Used Series 2005 Bonds</u>	<u>Authorization Used Series 2010 Debt</u>	<u>Authorization Used Series 2017 Loan</u>	<u>Authorized But Unissued</u>
Water	\$ 6,865,000	\$ 1,418,100	\$ -	\$ -	\$ 5,446,900
Parks and Recreation	17,105,000	-	-	-	17,105,000
Storm drainage and sanitary sewer	8,200,000	1,705,200	-	-	6,494,800
Streets	20,720,000	1,226,700	-	-	19,493,300
Traffic and safety controls	2,110,000	-	-	-	2,110,000
Refunding of Debt	<u>55,000,000</u>	<u>-</u>	<u>3,065,000</u>	<u>2,887,400</u>	<u>49,047,600</u>
	<u>\$ 110,000,000</u>	<u>\$ 4,350,000</u>	<u>\$ 3,065,000</u>	<u>\$ 2,887,400</u>	<u>\$ 99,697,600</u>

The District's Service Plan provides that there is a mill levy cap of 50.000 mills for Limited Mill Levy Debt. The mill levy is subject to adjustment, for changes occurring after September 4, 2003, in the methods of calculating assessed valuation. As of the date of the Series 2017 loan approval, the Board declared an adjustment to the maximum adjusted mill levy the District can impose for debt service upwards to 55.277 mills.

During 2017, the District collected taxes based on a mill levy of 62.000 mills; 12.000 mills for operations and 50.000 mills for debt service. At December 31, 2017, the district levied 62.000 mills for collection in 2017; 16.354 mills for operations and 45.646 mills for debt service.

The outstanding bond principal and interest mature as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 82,200	\$ 111,490	\$ 193,690
2019	85,400	108,235	193,635
2020	88,800	104,853	193,653
2021	92,300	101,336	193,636
2022	96,000	97,681	193,681
2023-2027	540,100	428,286	968,386
2028-2032	655,800	312,527	968,327
2033-2037	796,300	171,995	968,295
2038	<u>378,500</u>	<u>14,989</u>	<u>393,489</u>
	<u>\$ 2,815,400</u>	<u>\$ 1,451,392</u>	<u>\$ 4,266,792</u>

Four Mile Ranch Metropolitan District No. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

Developer Advance and Reimbursement Agreements

On December 30, 2009, the District entered into a funding and reimbursement agreement with Four Mile Ranch Land Development Company (Developer). The interest rate of this agreement for operational advances is 300 basis points above the 20-year AAA-rated municipal market index as of the first business day of each year. Advances for capital costs bear no interest. Principal and interest is payable to the Developer from available monies not required otherwise for operations, capital improvements, or debt service. The obligation is subordinate to any District indebtedness. As of December 31, 2017, the obligation amounts, including accrued interest, totaled \$5,493,498 and \$74,937 for capital and operating costs, respectively. At December 31, 2017, the interest accrued was \$53,380.

The District's obligation under the Agreement to reimburse the developer for advances is from year to year only and is subject to the annual appropriation of funds by the District upon a determination by the Board that funds are available for such purpose. The developer acknowledges and agrees in the Agreement that such obligation of the District does not constitute a multiple-fiscal year direct or indirect debt or other financial obligation of the District within the meaning of Article X, Section 20 of the Colorado Constitution.

NOTE 6 - NET POSITION

The District has net position consisting of two components - restricted and unrestricted.

Restricted assets include assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had restricted net position of \$268,612 as of December 31, 2017 as follows:

Restricted net position:

Emergencies	\$ 3,752
Debt service	<u>264,464</u>
	<u>\$ 268,612</u>

The District's unrestricted net position as of December 31, 2017 totaled \$(8,091,937). This deficit amount was a result of the District being responsible for the repayment of debt issued for public improvements that have been conveyed to other governmental entities.

Four Mile Ranch Metropolitan District No. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 7 - RISK MANAGEMENT

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

The District 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 official's 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 official's 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.

NOTE 8 - TAX, SPENDING AND DEBT LIMITATIONS

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

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 4, 2003, the District's voters authorized the District to increase property taxes \$500,000 annually, without limitation to rate, to pay the District's operations, maintenance, and other expenses. Additionally, the District's electors authorized the District to collect, retain and spend all revenue, other than ad valorem taxes, without regard to limitations of under TABOR or other laws.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to legal interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits, may require judicial interpretation.

SUPPLEMENTAL INFORMATION

Four Mile Ranch Metropolitan District No. 1
Debt Service Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Year Ended December 31, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Property taxes	\$ 190,654	\$ 190,654	\$ 190,361	\$ (293)
Specific ownership taxes	26,692	29,934	32,476	2,542
Interest income	1,500	1,500	1,503	3
Total revenues	<u>218,846</u>	<u>222,088</u>	<u>224,340</u>	<u>2,252</u>
EXPENDITURES				
Current				
Contingency	10,000	-	-	-
Debt service				
Debt principal	85,000	72,000	72,000	-
Loan interest	127,538	80,358	80,358	-
Costs of issuance	12,000	161,575	161,575	-
Paying agent fees	750	750	750	-
Total expenditures	<u>235,288</u>	<u>314,683</u>	<u>314,683</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER)				
EXPENDITURES	<u>(16,442)</u>	<u>(92,595)</u>	<u>(90,343)</u>	<u>2,252</u>
OTHER FINANCING SOURCES (USES)				
Loan Proceeds	-	2,887,400	2,887,400	-
Loan Refunding	-	(2,749,832)	(2,749,832)	-
Total other financing sources (uses)	<u>-</u>	<u>137,568</u>	<u>137,568</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(16,442)	44,973	47,225	<u>\$ 2,252</u>
FUND BALANCE - BEGINNING OF YEAR	<u>217,597</u>	<u>217,597</u>	<u>217,239</u>	
FUND BALANCE - END OF YEAR	<u>\$ 201,155</u>	<u>\$ 262,570</u>	<u>\$ 264,464</u>	

**Four Mile Ranch Metropolitan District No. 1
Schedule of Debt Service Requirements to Maturity
December 31, 2017**

\$2,887,400

General Obligation Unlimited Tax Refunding Bonds

Series 2017

Dated October 16, 2017

Principal Due December 5

Interest Rate 3.960%

Payable June 5 and December 5

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 82,200	\$ 111,490	\$ 193,690
2019	85,400	108,235	193,635
2020	88,800	104,853	193,653
2021	92,300	101,336	193,636
2022	96,000	97,681	193,681
2023	99,800	93,880	193,680
2024	103,700	89,928	193,628
2025	107,900	85,821	193,721
2026	112,100	81,548	193,648
2027	116,600	77,109	193,709
2028	121,200	72,492	193,692
2029	126,000	67,692	193,692
2030	131,000	62,703	193,703
2031	136,100	57,515	193,615
2032	141,500	52,125	193,625
2033	147,100	46,522	193,622
2034	153,000	40,697	193,697
2035	159,000	34,638	193,638
2036	165,300	28,342	193,642
2037	171,900	21,796	193,696
2038	378,500	14,989	393,489
	<u>\$ 2,815,400</u>	<u>\$ 1,451,392</u>	<u>\$ 4,266,792</u>

**Four Mile Ranch Metropolitan District No. 1
 Summary of Assessed Valuation,
 Mill Levy and Property Taxes Collected
 December 31, 2017**

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Tax Levy	Mills Levied		Total Property Taxes		Percent Collected to Levied
		Operations	Debt Service	Levied	Collected	
2013	\$ 4,407,001	10.000	43.000	\$ 233,571	\$ 233,571	100.00%
2014	\$ 4,391,050	10.000	45.000	\$ 241,508	\$ 241,588	100.03%
2015	\$ 3,996,022	11.000	49.000	\$ 239,761	\$ 239,762	100.00%
2016	\$ 3,723,934	12.000	50.000	\$ 230,884	\$ 230,112	99.67%
2017	\$ 3,813,073	12.000	50.000	\$ 236,411	\$ 236,048	99.85%
Estimated for the year ending December 31, 2018	\$ 3,938,537	16.354	45.646	\$ 244,189		