

HARVEST JUNCTION METROPOLITAN DISTRICT
Boulder County, Colorado

FINANCIAL STATEMENTS
December 31, 2017

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May 2, 2018

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Dazzio & Associates, PC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Harvest Junction Metropolitan District
Boulder County, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of the Harvest Junction Metropolitan District as of and for the year December 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Harvest Junction Metropolitan District, 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.

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 opinions on the financial statements that collectively comprise the Harvest Junction Metropolitan District's basic financial statements. The Supplementary Information and the Other Information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

The Other Information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Dassio & Associates, P.C.

March 23, 2018

BASIC FINANCIAL STATEMENTS

HARVEST JUNCTION METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
December 31, 2017

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 199,531
Cash and investments - Restricted	361,049
Receivable from County Treasurer	3,958
Property taxes receivable	858,563
Prepaid expenses	2,488
Total assets	<u>1,425,589</u>
LIABILITIES	
Accounts payable	4,323
Accrued interest payable	35,359
Noncurrent liabilities	
Due within one year	215,000
Due in more than one year	8,272,372
Total liabilities	<u>8,527,054</u>
DEFERRED INFLOWS OF RESOURCES	
Property tax revenue	858,563
Total deferred inflows of resources	<u>858,563</u>
NET POSITION	
Restricted for:	
Emergency Reserves	5,700
Debt service	323,948
Unassigned	<u>(8,289,676)</u>
Total net position	<u><u>\$ (7,960,028)</u></u>

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

**HARVEST JUNCTION METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
Year Ended December 31, 2017**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</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	\$ 78,990	\$ -	\$ -	\$ -	\$ (78,990)
Interest and related costs on long-term debt	459,145	-	-	-	(459,145)
	<u>\$ 538,135</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(538,135)</u>
General revenues:					
Property taxes					793,223
Specific ownership taxes					45,293
Net investment income					7,986
Total general revenues					<u>846,502</u>
Change in net position					308,367
Net position - Beginning					<u>(8,268,395)</u>
Net position - Ending					<u>\$ (7,960,028)</u>

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

**HARVEST JUNCTION METROPOLITAN DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2017**

	General	Debt Service	Total Governmental Funds
ASSETS			
Cash and investments	\$ 199,531	\$ -	\$ 199,531
Cash and investments - Restricted	5,700	355,349	361,049
Receivable from County Treasurer	-	3,958	3,958
Property taxes receivable	240,398	618,165	858,563
Prepaid expenses	2,488	-	2,488
TOTAL ASSETS	\$ 448,117	\$ 977,472	\$ 1,425,589
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 4,323	\$ -	\$ 4,323
Total liabilities	4,323	-	4,323
DEFERRED INFLOWS OF RESOURCES			
Property tax revenue	240,398	618,165	858,563
Total deferred inflows of resources	240,398	618,165	858,563
FUND BALANCES			
Nonspendable:			
Prepaid expenses	2,488	-	2,488
Restricted for:			
Emergency Reserves	5,700	-	5,700
Debt service	-	359,307	359,307
Unassigned	195,208	-	195,208
Total fund balances	203,396	359,307	562,703
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 448,117	\$ 977,472	

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

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Loan payable	(430,000)
Bonds payable, net of discount	(8,057,372)
Accrued interest payable	(35,359)
Net position of governmental activities	\$ (7,960,028)

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

HARVEST JUNCTION METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended December 31, 2017

	General	Debt Service	Total Governmental Funds
REVENUES			
Property taxes	\$ 185,086	\$ 608,137	\$ 793,223
Specific ownership tax	-	45,293	45,293
Net investment income	2,071	5,915	7,986
Total revenues	187,157	659,345	846,502
EXPENDITURES			
Current			
Accounting	34,142	-	34,142
Audit	5,000	-	5,000
County Treasurer's fee	2,775	9,120	11,895
Insurance	2,743	-	2,743
Dues and subscriptions	342	-	342
Legal	7,985	-	7,985
District Management	25,000	-	25,000
Miscellaneous	100	-	100
Election	903	-	903
Debt service			
Loan Interest	-	28,248	28,248
Paying Agent Fees	-	2,000	2,000
Bond Interest	-	418,354	418,354
Loan Principal	-	200,000	200,000
Total expenditures	78,990	657,722	736,712
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	108,167	1,623	109,790
OTHER FINANCING SOURCES (USES)			
Transfers (from) to other funds	(2,354)	2,354	-
Total other financing sources (uses)	(2,354)	2,354	-
NET CHANGE IN FUND BALANCES	105,813	3,977	109,790
FUND BALANCES - BEGINNING OF YEAR	97,583	355,330	452,913
FUND BALANCES - END OF YEAR	\$ 203,396	\$ 359,307	\$ 562,703

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

**HARVEST JUNCTION 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 change in fund balances - Total governmental funds	\$ 109,790
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The issuance of long-term debt (e.g., bonds, developer advances) 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.

Loan principal payment	200,000
Amortization of bond discount	(3,284)

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/loans - change in liability	1,861
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Changes in net position of governmental activities	\$ 308,367
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These financial statements should be read only in connection with
the accompanying notes to financial statements.

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

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Property taxes	\$ 185,830	\$ 185,086	\$ (744)
Net investment income	667	2,071	1,404
Total revenues	<u>186,497</u>	<u>187,157</u>	<u>660</u>
EXPENDITURES			
Current			
Accounting	27,000	34,142	(7,142)
Audit	5,200	5,000	200
County Treasurer's fee	2,787	2,775	12
Insurance	2,610	2,743	(133)
Dues and subscriptions	500	342	158
District management	25,000	25,000	-
Municipal advisory services	-	903	(903)
Legal	25,000	7,985	17,015
Miscellaneous	2,000	100	1,900
Contingency	5,103	-	5,103
Total expenditures	<u>95,200</u>	<u>78,990</u>	<u>16,210</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>91,297</u>	<u>108,167</u>	<u>16,870</u>
OTHER FINANCING SOURCES (USES)			
Transfer to other funds	(10,000)	(2,354)	7,646
Total other financing sources (uses)	<u>(10,000)</u>	<u>(2,354)</u>	<u>7,646</u>
NET CHANGE IN FUND BALANCES	81,297	105,813	24,516
FUND BALANCES - BEGINNING OF YEAR	<u>136,724</u>	<u>97,583</u>	<u>(39,141)</u>
FUND BALANCES - END OF YEAR	<u>\$ 218,021</u>	<u>\$ 203,396</u>	<u>\$ (14,625)</u>

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

HARVEST JUNCTION METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 1 - DEFINITION OF REPORTING ENTITY

Harvest Junction Metropolitan District (District), a quasi-municipal corporation and political subdivision of the State of Colorado, was organized by order and decree of the District Court for Boulder County in November 2005, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District's service area is located entirely within the City of Longmont, Boulder County, Colorado. The District was established to provide financing for the design, acquisition, installation and construction of water, sanitation, streets, safety protection, park and recreation facilities and mosquito control.

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. 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 and the sum of liabilities and deferred inflows is reported as net position.

**HARVEST JUNCTION 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. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Depreciation, if any, is computed and recorded as an operating expense. Expenditures for property and equipment are shown as increases in assets and redemption of bonds and notes are recorded as a reduction in liabilities.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the 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 and specific ownership taxes. 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 accounts for the resources accumulated and payments made for principal and interest on long-term debt of the governmental funds.

HARVEST JUNCTION METROPOLITAN DISTRICT
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 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.

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 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, 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.

Amortization

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.

HARVEST JUNCTION METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Inflows 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.

Equity

Net Position

For government-wide presentation purposes when both restricted and unrestricted resources are available for use, it is the District'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.

**HARVEST JUNCTION METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- *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.

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	\$ 199,531
Cash and investments - Restricted	<u>361,049</u>
Total cash and investments	<u><u>\$ 560,580</u></u>

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

Deposits with financial institutions	\$ 4,996
Investments	<u>555,584</u>
Total cash and investments	<u><u>\$ 560,580</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 of \$30,471 and a carrying balance of \$4,996.

**HARVEST JUNCTION METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017**

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

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 to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

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
- . Certain international agency securities
- . 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 agreements and certain reverse repurchase agreements collateralized
- * Certain money market funds
- . Guaranteed investment contracts
- * Local government investment pools

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

Investment	Maturity	Amount
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted average under 60 days	<u>\$ 555,584</u>

**HARVEST JUNCTION METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017**

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

CSAFE

The District invested in the Colorado Surplus Asset Fund Trust (CSAFE) (the Trust), which is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust is similar to a money market fund, with each share valued at \$1.00. CSAFE may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain money market funds and highest rated commercial paper. A designated custodial bank serves as custodian for CSAFE's portfolio pursuant to a custodian agreement. The custodian acts as safekeeping agent for CSAFE's investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by CSAFE. CSAFE is rated AAAM by Standard & Poor's. CSAFE records its investments at amortized cost and the District records its investments in CSAFE using the amortized cost method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

NOTE 4 - LONG-TERM OBLIGATIONS

The District's outstanding long-term obligations at December 31, 2017, were as follows:

	<u>Balance at December 31, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at December 31, 2017</u>	<u>Due Within One Year</u>
G.O refunding and improvement bonds:					
2012 Bonds	\$ 8,100,000	\$ -	\$ -	\$ 8,100,000	\$ -
Term Loan Series 2016	630,000		200,000	430,000	215,000
	8,730,000	-	200,000	8,530,000	215,000
Unamortized bond discount	(45,912)	-	3,284	(42,628)	-
	<u>\$ 8,684,088</u>	<u>\$ -</u>	<u>\$ 196,716</u>	<u>\$ 8,487,372</u>	<u>\$ 215,000</u>

The details of the District's long-term obligations are as follows:

\$8,100,000 General Obligation Refunding and Improvement Bonds, Series 2012, dated July 2, 2012. On July 2, 2012, the District issued \$8,100,000 in General Obligation Refunding and Improvement Bonds to: 1) finance a portion of the costs of certain facilities, 2) current refund the District's outstanding Series 2006 Bonds; and 3) pay the costs of issuance of the 2012 bonds. The bonds consist of term bonds issued in the amounts of \$4,070,000, due December 1, 2030, \$1,005,000 due December 1, 2032, \$3,025,000 due December 1, 2037, with mandatory redemption principal payments starting at \$285,000 on December 1, 2020, and increasing annually thereafter. Interest of 5.000% for the 2030 term; 5.200% for the 2032 term; 5.375% for the 2037 term is payable semi-annually on June 1 and December 1 of each year.

**HARVEST JUNCTION METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017**

NOTE 4 - LONG-TERM OBLIGATIONS (CONTINUED)

The bonds are subject to redemption prior to maturity, at the option of the District, on any date on or after December 1, 2022, at a redemption price equal to the principal amount thereof, plus accrued and unpaid interest to the redemption date, if any, without premium.

The Bonds are secured by and payable from the Pledged Revenue consisting of monies derived by the District from the following sources, net of any collection costs: 1) the Required Mill Levy, 2) the portion of the Specific Ownership Tax which is collected as a result of the imposition of the Required Mill Levy, and 3) any other legally available monies which the District determines to be treated as Pledged Revenue.

The Bonds are also secured by amounts held by the Trustee in the Surplus Fund. Until such time as the Debt to Assessed Ratio is 30% or less, the amount on deposit in the Surplus Fund shall be equal to at least \$300,000. The balance in the Surplus Fund at December 31, 2017, is \$350,355.

Required Mill Levy means an ad valorem mill levy imposed upon all taxable property of the District each year in an amount sufficient to pay the principal, premium if any, and interest on the Bonds as the same become due and payable and to make up any deficiencies in the Surplus Fund.

2016 Term Loan

Pursuant to a Second Amendment to City of Longmont, Colorado Public Improvement Agreement (PIA), the District agreed to fund a portion of the costs of a vehicular bridge in the amount of \$1,250,000. Such obligation was secured by an irrevocable standby letter of credit reimbursement agreement with CoBiz Bank, plus fees at 1.5%. On May 31, 2016, the District received a request from the City of Longmont requesting to draw the remaining funds on the Letter of Credit, \$830,000.

On June 27, 2016 the Board of Directors approved conversion of the \$830,000 Letter of Credit to a term loan and on June 30, 2016 the District entered into a new term loan, the Series 2016, for the amount of \$830,000. The Series 2016 loan bears interest of 4.49% per annum, payable on June 1 and December 1, with mandatory principal payments due on December 1, commencing in 2017, with a final payment due on December 1, 2019.

**HARVEST JUNCTION METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017**

NOTE 4 - LONG-TERM OBLIGATIONS (CONTINUED)

The annual obligations related to the long-term debt and maturity are as follows:

	Series 2012 Bonds		Series 2016 Loan		Total
	Interest	Principal	Interest	Principal	
2018	\$ 418,354	\$ -	\$ 19,360	\$ 215,000	\$ 652,714
2019	418,354	-	\$ 9,680	\$ 215,000	643,034
2020	418,354	285,000	-	-	703,354
2021	404,104	300,000	-	-	704,104
2022	389,104	315,000	-	-	704,104
2023-2027	1,692,520	1,835,000	-	-	3,527,520
2028-2032	1,184,290	2,340,000	-	-	3,524,290
2033-2037	504,714	3,025,000	-	-	3,529,714
	<u>\$ 5,429,794</u>	<u>\$ 8,100,000</u>	<u>\$ 29,040</u>	<u>\$ 430,000</u>	<u>\$ 13,988,834</u>

Authorized Debt

On November 1, 2005, a majority of the qualified electors of the District who voted in the election authorized the issuance of indebtedness in an amount not to exceed \$39,100,000 at an interest rate not to exceed 18% per annum.

	Authorized November 1, 2005 Election	Authorized November 4, 2014 Election	Authorization Used	Authorization Remaining
Street improvement, traffic and safety controls	\$ 5,500,000	\$ 13,000,000	\$ 4,834,263	\$ 13,665,737
Water supply system	1,500,000	13,000,000	1,500,000	13,000,000
Storm and sanitary system	5,100,000	13,000,000	3,115,737	14,984,263
Parks and recreation facilities	800,000	13,000,000	-	13,800,000
Mosquito control	100,000	13,000,000	-	13,100,000
District debt obligations	13,000,000	-	-	13,000,000
Intergovernmental agreements	13,000,000	13,000,000	-	26,000,000
Refunding	-	13,000,000	7,900,000	5,100,000
Operation and maintenance	100,000	13,000,000	-	13,100,000
	<u>\$ 39,100,000</u>	<u>\$ 104,000,000</u>	<u>\$ 17,350,000</u>	<u>\$ 125,750,000</u>

Per the Service Plan, the District is limited to issuing \$13,000,000 in debt, not including refundings. The Second Amendment to the Service Plan states that the mill levy for debt service and operations and maintenance the District is permitted to impose is unlimited. It is estimated that a total mill levy of 30 mills will produce revenue sufficient for the repayment of bonds or other obligations and operations and maintenance expenses.

**HARVEST JUNCTION METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017**

NOTE 4 - LONG-TERM OBLIGATIONS (CONTINUED)

In the future, the District may issue a portion or all of the remaining authorized but unissued general obligation debt for purposes of providing public improvements to support development as it occurs within the District's service area.

NOTE 5 - NET POSITION

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

Restricted net position includes 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 as of December 31, 2017, as follows:

	<u>Governmental Activities</u>
Restricted net position:	
Emergencies	\$ 5,700
Debt service	<u>323,948</u>
Total restricted net position	<u><u>\$ 329,648</u></u>

The District has a deficit in unrestricted net position. This deficit amount is a result of the District being responsible for the repayment of bonds issued for public improvements which were conveyed to other governmental entities and which costs were removed from the District's financial records.

NOTE 6 - RELATED PARTY

Currently, approximately 62.76% (measured by certified assessed valuation) of the developable land within the District is owned by Ramco, and the remaining approximately 37.24% of the developable land within the District is owned by nine third party land owners. All members of the Board of Directors are owners, employees, or are otherwise associated with Panattoni Development Co., LLC (Developer), and are not associated with Ramco. Therefore, the members may have conflicts of interest with respect to certain transactions that come before the Board.

The District has an agreement with the Developer to provide management services. During 2017, the District paid the Developer \$25,000 for management services.

**HARVEST JUNCTION METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017**

NOTE 7 - AGREEMENT

Advance and Reimbursement Agreement

On January 20, 2006, the District entered into an Advance and Reimbursement Agreement for construction, maintenance and operation costs with the Developer which was amended on August 15, 2008. Under the terms of this agreement the Developer agreed to provide advances to the District for the purpose of funding construction, operations and maintenance costs of the District. The District will reimburse the Developer for the advances subject to annual appropriation, when and if monies become available to do so plus accrued interest at the rate of 7% calculated from the date of original receipt per the amended agreement. There are currently no amounts outstanding related to the Advance and Reimbursement Agreement.

NOTE 8 – INTERFUND AND OPERATING TRANSFERS

The transfer from the General Fund to the Debt Service fund was to pay administrative expenditures.

NOTE 9 - 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). 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 the past fiscal year.

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

**HARVEST JUNCTION METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017**

NOTE 10 - 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 that 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 1, 2005, District voters passed an election question to increase property taxes \$100,000 annually to pay the District's operational and maintenance costs, 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 will require judicial interpretation.

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

SUPPLEMENTARY INFORMATION

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

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Property taxes	\$ 610,583	\$ 608,137	\$ (2,446)
Specific ownership taxes	39,820	45,293	5,473
Net investment income	1,765	5,915	4,150
Total revenues	<u>652,168</u>	<u>659,345</u>	<u>7,177</u>
EXPENDITURES			
Debt service			
Paying agent fees	2,000	2,000	-
Bond interest - Series 2012	418,354	418,354	-
County Treasurer's fee	9,159	9,120	39
Loan Interest Series 2016	29,287	28,248	1,039
Loan Principal - Series 2016	200,000	200,000	-
Contingency	5,203	-	5,203
Total expenditures	<u>664,003</u>	<u>657,722</u>	<u>6,281</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(11,835)</u>	<u>1,623</u>	<u>13,458</u>
OTHER FINANCING SOURCES (USES)			
Transfer from other funds	<u>10,000</u>	<u>2,354</u>	<u>(7,646)</u>
Total other financing sources (uses)	<u>10,000</u>	<u>2,354</u>	<u>(7,646)</u>
NET CHANGE IN FUND BALANCES	(1,835)	3,977	5,812
FUND BALANCES - BEGINNING OF YEAR	<u>309,588</u>	<u>355,330</u>	<u>45,742</u>
FUND BALANCES - END OF YEAR	<u>\$ 307,753</u>	<u>\$ 359,307</u>	<u>\$ 51,554</u>

OTHER INFORMATION

**HARVEST JUNCTION METROPOLITAN DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
MANDATORY REDEMPTION SCHEDULE
December 31, 2017**

Maturing in the Year Ending Dec 31	\$8,100,000 General Obligation Series 2012, Dated July 2, 2012 Principal Due December 1 Interest at 5.0% to 5.375%, Payable June 1 and December 1		\$830,000 Term Loan Series 2016, Dated June 30, 2016 Principal Due December 1 Interest at 4.49% Payable June 1 and December 1		Total
	Interest	Principal	Interest	Principal	
2018	\$ 418,354	\$ -	\$ 19,360	\$ 215,000	\$ 652,714
2019	418,354	-	9,680	215,000	643,034
2020	418,354	285,000	-	-	703,354
2021	404,104	300,000	-	-	704,104
2022	389,104	315,000	-	-	704,104
2023	373,354	330,000	-	-	703,354
2024	356,854	350,000	-	-	706,854
2025	339,354	365,000	-	-	704,354
2026	321,104	385,000	-	-	706,104
2027	301,854	405,000	-	-	706,854
2028	281,604	425,000	-	-	706,604
2029	260,354	445,000	-	-	705,354
2030	238,104	465,000	-	-	703,104
2031	214,854	490,000	-	-	704,854
2032	189,374	515,000	-	-	704,374
2033	162,594	545,000	-	-	707,594
2034	133,300	570,000	-	-	703,300
2035	102,663	605,000	-	-	707,663
2036	70,144	635,000	-	-	705,144
2037	36,013	670,000	-	-	706,013
	<u>\$ 5,429,794</u>	<u>\$ 8,100,000</u>	<u>\$ 29,040</u>	<u>\$ 430,000</u>	<u>\$ 13,988,834</u>

**HARVEST JUNCTION METROPOLITAN DISTRICT
SUMMARY OF ASSESSED VALUATION,
MILL LEVY AND PROPERTY TAXES COLLECTED
December 31, 2017**

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied				Total Property Taxes		Percent Collected to Levied
		General	Debt Service	Contractual Obligation	Total	Levied	Collected	
2013	\$ 19,227,931	7.000	17.260	5.7	30.000	#####	\$ 576,671	99.97%
2014	18,947,028	7.000	14.070	8.9	30.000	568,410	566,576	99.68%
2015	18,628,841	7.000	12.510	10.5	30.000	558,865	557,543	99.76%
2016	24,496,094	7.000	14.500	8.5	30.000	734,883	734,593	99.96%
2017	26,547,098	7.000	23.000	-	30.000	796,413	793,223	99.60%
Estimated for year ending December 31, 2018	34,342,509	7.000	18.000	-	25.000	858,563		