

HORSE CREEK METROPOLITAN DISTRICT
Adams County, Colorado

AUDITOR'S REPORT AND FINANCIAL STATEMENTS
December 31, 2017

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Office of the State Auditor

May 25, 2018

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**Haynie &
Company**

Certified Public Accountants (a professional corporation)

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Independent Auditor's Report

Members of the Board of Directors
Horse Creek Metropolitan District

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards 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 Horse Creek 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.



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Other-Matters

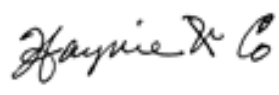
Required Supplementary Information

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 Horse Creek Metropolitan District'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.



Littleton, Colorado
May 23, 2018

BASIC FINANCIAL STATEMENTS

HORSE CREEK METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
December 31, 2017

| | <u>Governmental Activities</u> |
|---|---|
| ASSETS | |
| Cash | \$ 190,580 |
| Investments - restricted | 45,084 |
| Prepaid expenses | 2,520 |
| Property taxes receivable | 143,487 |
| Other receivables | 2,071 |
| Total assets | <u>383,742</u> |
| LIABILITIES | |
| Accounts payable | 9,444 |
| Accrued bond interest payable | 3,383 |
| Noncurrent liabilities: | |
| Due in one year | 45,000 |
| Due in more than one year | 1,135,000 |
| Total liabilities | <u>1,192,827</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Property tax revenue | <u>143,487</u> |
| Total liabilities and deferred inflows of resources | <u>1,336,314</u> |
| NET POSITION | |
| Restricted for: | |
| Emergency reserves | 6,938 |
| Debt service | 65,991 |
| Unrestricted (deficit) | <u>(1,025,501)</u> |
| Total net position (deficit) | <u><u>\$ (952,572)</u></u> |

**HORSE CREEK 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 | \$ 31,213 | \$ - | \$ - | \$ - | \$ (31,213) |
| Interest and related costs on long-term debt | 124,324 | - | - | - | (124,324) |
| | <u>\$ 155,537</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>(155,537)</u> |
| General revenues: | | | | | |
| Property taxes | | | | | 149,401 |
| Specific ownership taxes | | | | | 14,617 |
| Other income | | | | | 3,237 |
| Investment earnings | | | | | 2,611 |
| Total general revenues | | | | | <u>169,866</u> |
| Change in net position | | | | | 14,329 |
| Net position (deficit) - Beginning | | | | | (966,901) |
| Net position (deficit) - Ending | | | | | <u>\$ (952,572)</u> |

**HORSE CREEK METROPOLITAN DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2017**

| | General | Debt Service | Total Governmental Funds |
|--|-------------------|-------------------------|---|
| ASSETS | | | |
| Cash | \$ 170,498 | \$ 20,082 | \$ 190,580 |
| Investments - restricted | - | 45,084 | 45,084 |
| Property taxes receivable | 61,407 | 82,080 | 143,487 |
| Prepaid expenses | 2,520 | - | 2,520 |
| Other receivables | 1,246 | 825 | 2,071 |
| TOTAL ASSETS | \$ 235,671 | \$148,071 | \$ 383,742 |
| LIABILITIES | | | |
| Accounts payable | 9,444 | - | 9,444 |
| Total liabilities | 9,444 | - | 9,444 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Property tax revenue | 61,407 | 82,080 | 143,487 |
| Total liabilities & deferred inflows | 70,851 | 82,080 | 152,931 |
| FUND BALANCES | | | |
| Nonspendable: | | | |
| Prepaid expenses | 2,520 | - | 2,520 |
| Restricted for: | | | |
| Emergency reserves (TABOR) | 6,938 | - | 6,938 |
| Debt service | - | 65,991 | 65,991 |
| Unassigned | 155,362 | - | 155,362 |
| Total fund balances | 164,820 | 65,991 | 230,811 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | \$ 235,671 | \$148,071 | |

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.

| | |
|---|---------------------|
| Bonds payable | (1,180,000) |
| Accrued bond interest payable | (3,383) |
| Net position (deficit) of governmental activities | \$ (952,572) |

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

| | <u>General</u> | <u>Debt Service</u> | <u>Total Governmental Funds</u> |
|--|-------------------|-------------------------|---|
| REVENUES | | | |
| Property taxes | \$ 44,289 | \$ 105,112 | \$ 149,401 |
| Specific ownership taxes | 4,333 | 10,284 | 14,617 |
| Developer reimbursements | 3,237 | - | 3,237 |
| Interest income | 2,274 | 337 | 2,611 |
| Total revenues | <u>54,133</u> | <u>115,733</u> | <u>169,866</u> |
| EXPENDITURES | | | |
| Current | | | |
| Accounting | 12,273 | - | 12,273 |
| Legal | 15,659 | - | 15,659 |
| Insurance and bonds | 2,293 | - | 2,293 |
| Dues and memberships | 322 | - | 322 |
| County Treasurer's fees | 666 | 1,581 | 2,247 |
| Debt service | | | |
| Bond principal | - | 50,000 | 50,000 |
| Bond interest | - | 47,626 | 47,626 |
| Costs of issuance | - | 76,754 | 76,754 |
| Paying agent fees | - | 1,458 | 1,458 |
| Total expenditures | <u>31,213</u> | <u>177,419</u> | <u>208,632</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>22,920</u> | <u>(61,686)</u> | <u>(38,766)</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Interfund transfers | 177,147 | (177,147) | - |
| Bond issuance | - | 1,230,000 | 1,230,000 |
| Payment to refunding escrow | - | (1,352,000) | (1,352,000) |
| Total other financing sources (uses) | <u>177,147</u> | <u>(299,147)</u> | <u>(122,000)</u> |
| EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES | 200,067 | (360,833) | (160,766) |
| FUND BALANCES - BEGINNING OF YEAR | <u>(35,247)</u> | <u>426,824</u> | <u>391,577</u> |
| FUND BALANCES - END OF YEAR | <u>\$ 164,820</u> | <u>\$ 65,991</u> | <u>\$ 230,811</u> |

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

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

| | | |
|---|----|-----------|
| Net changes in fund balances - Total governmental funds | \$ | (160,766) |
|---|----|-----------|

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

| | | |
|---------------------------------------|--|-------------|
| Bond principal refunded - Series 2006 | | 1,352,000 |
| Bond issuance - Series 2017 | | (1,230,000) |
| Bond principal payment - Series 2017 | | 50,000 |

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

| | | |
|---|--|-------|
| Accrued interest on bonds payable - Change in liability | | 3,095 |
|---|--|-------|

| | | |
|---|----|---------------|
| Change in net position of governmental activities | \$ | <u>14,329</u> |
|---|----|---------------|

**HORSE CREEK METROPOLITAN DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
Year Ended December 31, 2017**

| | <u>Original Budget</u> | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---|----------------------------|---------------------------|---|
| REVENUES | | | |
| Property taxes | \$ 44,289 | \$ 44,289 | \$ - |
| Specific ownership taxes | 3,100 | 4,333 | 1,233 |
| Developer reimbursements | - | 3,237 | 3,237 |
| Net investment income | 300 | 2,274 | 1,974 |
| Total revenues | <u>47,689</u> | <u>54,133</u> | <u>6,444</u> |
| EXPENDITURES | | | |
| Current | | | |
| Accounting | 17,032 | 12,273 | 4,759 |
| Audit | 6,600 | - | 6,600 |
| County Treasurer's fees | 664 | 666 | (2) |
| Dues and memberships | 350 | 322 | 28 |
| Insurance and bonds | 2,515 | 2,293 | 222 |
| Legal services | 15,000 | 15,659 | (659) |
| Miscellaneous | 500 | - | 500 |
| Contingency | 10,000 | - | 10,000 |
| Total expenditures | <u>52,661</u> | <u>31,213</u> | <u>21,448</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>(4,972)</u> | <u>22,920</u> | <u>27,892</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Interfund transfers | 158,676 | 177,147 | 18,471 |
| Total other financing sources (uses) | <u>158,676</u> | <u>177,147</u> | <u>18,471</u> |
| NET CHANGE IN FUND BALANCE | 153,704 | 200,067 | <u>\$ 46,363</u> |
| FUND BALANCE - BEGINNING OF YEAR | <u>(42,390)</u> | <u>(35,247)</u> | |
| FUND BALANCE - END OF YEAR | <u>\$111,314</u> | <u>\$ 164,820</u> | |

HORSE CREEK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 1 - DEFINITION OF REPORTING ENTITY

Horse Creek Meadow Metropolitan District (District), a quasi-municipal corporation, was organized on November 21, 2003, is governed pursuant to provisions of the Colorado Special District Act (Title 32). The District operates under a service plan approved by Adams County on September 22, 2003. A first amendment was approved on October 13, 2004. The District's service area is located in Adams County, Colorado. The District was established to provide financing and construction of public improvements and water and sanitary sewer service.

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.

HORSE CREEK 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 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 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.

HORSE CREEK 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 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.

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 at fair value.

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

HORSE CREEK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Adams 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.

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 \$6,938 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 \$65,991 is to be used exclusively for the payment of future general obligation bond principal, interest and related costs.

HORSE CREEK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

NOTE 3 - CASH AND INVESTMENTS

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

Statement of net position:

| | |
|--------------------------|------------------|
| Investments – Restricted | \$ <u>45,084</u> |
| | <u>\$ 45,084</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.

**HORSE CREEK 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 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 three or 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.

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 (The Trust) is rated AAAM by Standard & Poor's. The Trust is similar to a money market fund, with each share valued at \$1.00. CSAFE records its investments at amortized cost and the District records its investment in CSAFE using the amortized cost 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>\$ 148,304</u> |

**HORSE CREEK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017**

NOTE 4 - 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 2006 G.O. Bonds | \$ 1,352,000 | \$ - | \$ 1,352,000 | \$ - | \$ - |
| Series 2017 G.O. Refunding Bonds | - | 1,230,000 | 50,000 | 1,180,000 | 45,000 |
| | <u>\$ 1,352,000</u> | <u>\$ 1,230,000</u> | <u>\$ 1,402,000</u> | <u>\$ 1,180,000</u> | <u>\$ 45,000</u> |

Bonds Payable

On December 12, 2006, the District issued \$3,120,000 in a General Obligation Bonds (Limited Tax Convertible to Unlimited Tax) for infrastructure improvements. The bonds were term bonds due December 1, 2036, with an interest rate of 5.75%, paid semiannually on June 1 and December 1. This bond was refunded in January 25, 2017, at a net present value savings of \$242,117.

On January 25, 2017, the District issued \$1,230,000 in a General Obligation Refunding Bond (Unlimited Tax), Series 2017. The bond is a term bond due on December 1, 2036, with an interest rate of 3.44%, paid semiannually on June 1 and December 1. The bonds are subject to redemption prior to maturity, at the option of the District, in whole or in part on any date, upon two Business Days' prior written notice to the Purchaser, at a redemption price equal to the amount thereof, plus a Prepayment Fee, plus accrued interest to the redemption date. Any partial redemption of the Bond shall be applied to the sinking fund installments of principal in inverse order of maturity in an amount no less than \$500,000. All or any principal amount of the Bond is subject to mandatory sinking fund redemption by lot on December 1 of the years and in the principal amounts set forth below.

The outstanding bond principal and interest mature as follows:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------|---------------------|-------------------|---------------------|
| 2018 | \$ 45,000 | \$ 40,592 | \$ 85,592 |
| 2019 | 45,000 | 39,044 | 84,044 |
| 2020 | 45,000 | 37,496 | 82,496 |
| 2021-2025 | 260,000 | 162,368 | 422,368 |
| 2026-2030 | 305,000 | 114,896 | 419,896 |
| 2031-2035 | 355,000 | 58,996 | 413,996 |
| 2036 | 125,000 | 4,300 | 129,300 |
| | <u>\$ 1,180,000</u> | <u>\$ 457,692</u> | <u>\$ 1,637,692</u> |

HORSE CREEK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 4 - LONG-TERM OBLIGATIONS (CONTINUED)

On November 4, 2003 the District's qualified electors approved indebtedness totaling \$4,200,000. As of December 31, 2017 the District has \$1,080,000 remaining of authorized but unissued indebtedness.

NOTE 5 - 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 \$72,929 as of December 31, 2017 as follows:

Restricted net position:

| | |
|--------------|-------------------------|
| Emergencies | \$ 6,938 |
| Debt service | <u>65,991</u> |
| | <u><u>\$ 72,929</u></u> |

The District's unrestricted net position as of December 31, 2017 totaled \$(1,025,501). This deficit amount was a result of the District being responsible for the repayment of bonds issued for public improvements that have been conveyed to other governmental entities.

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 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.

HORSE CREEK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 7 - TAX, SPENDING AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer'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 approved the retention of all property taxes and all other District revenue in 2003 and annually thereafter without limitation 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

**HORSE CREEK METROPOLITAN DISTRICT
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> | Variance with Final Budget Positive (Negative) |
|---|----------------------------|-------------------------|---------------------------|---|
| REVENUES | | | | |
| Property taxes | \$ 105,111 | 105,111 | \$ 105,112 | \$ 1 |
| Specific ownership taxes | 7,358 | 9,668 | 10,284 | 616 |
| Net investment income | 500 | 500 | 337 | (163) |
| Total revenues | <u>112,969</u> | <u>115,279</u> | <u>115,733</u> | <u>454</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| County Treasurer's fee | 1,576 | 1,576 | 1,581 | (5) |
| Contingency | 5,000 | 4,000 | - | 4,000 |
| Debt service | | | | |
| Bond principal | 26,000 | 50,000 | 50,000 | - |
| Bond interest | 77,740 | 47,629 | 47,626 | 3 |
| Costs of issuance | - | 90,750 | 76,754 | 13,996 |
| Paying agent fees | 2,500 | 2,500 | 1,458 | 1,042 |
| Total expenditures | <u>112,816</u> | <u>196,455</u> | <u>177,419</u> | <u>19,036</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>153</u> | <u>(81,176)</u> | <u>(61,686)</u> | <u>19,490</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Interfund transfers | (158,676) | (177,147) | (177,147) | - |
| Bond issuance | - | 1,230,000 | 1,230,000 | - |
| Payment to refunding escrow | - | (1,352,000) | (1,352,000) | - |
| Total other financing sources (uses) | <u>(158,676)</u> | <u>(299,147)</u> | <u>(299,147)</u> | <u>-</u> |
| NET CHANGE IN FUND BALANCE | (158,523) | (380,323) | (360,833) | <u>\$ 19,490</u> |
| FUND BALANCE - BEGINNING OF YEAR | <u>421,998</u> | <u>426,825</u> | <u>426,824</u> | |
| FUND BALANCE - END OF YEAR | <u>\$ 263,475</u> | <u>\$ 46,502</u> | <u>\$ 65,991</u> | |

**HORSE CREEK METROPOLITAN DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2017**

**\$1,230,000
General Obligation Unlimited Tax Refunding Bonds
Series 2017
Dated January 25, 2017
Principal Due December 1
Interest Rate 3.44%
Payable June 1 and December 1**

| <u>Year Ended December 31,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------|---------------------|-------------------|---------------------|
| 2018 | \$ 45,000 | \$ 40,592 | \$ 85,592 |
| 2019 | 45,000 | 39,044 | 84,044 |
| 2020 | 45,000 | 37,496 | 82,496 |
| 2021 | 50,000 | 35,948 | 85,948 |
| 2022 | 50,000 | 34,228 | 84,228 |
| 2023 | 50,000 | 32,508 | 82,508 |
| 2024 | 55,000 | 30,788 | 85,788 |
| 2025 | 55,000 | 28,896 | 83,896 |
| 2026 | 55,000 | 27,004 | 82,004 |
| 2027 | 60,000 | 25,112 | 85,112 |
| 2028 | 60,000 | 23,048 | 83,048 |
| 2029 | 65,000 | 20,984 | 85,984 |
| 2030 | 65,000 | 18,748 | 83,748 |
| 2031 | 65,000 | 16,512 | 81,512 |
| 2032 | 70,000 | 14,276 | 84,276 |
| 2033 | 70,000 | 11,868 | 81,868 |
| 2034 | 75,000 | 9,460 | 84,460 |
| 2035 | 75,000 | 6,880 | 81,880 |
| 2036 | 125,000 | 4,300 | 129,300 |
| | <u>\$ 1,180,000</u> | <u>\$ 457,692</u> | <u>\$ 1,637,692</u> |

**HORSE CREEK 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 Tax Levy | Mills Levied | | Total Property Taxes | | Percent Collected to Levied |
|--|--|---------------------|---------------------|-----------------------------|------------------|--|
| | | Operations | Debt Service | Levied | Collected | |
| 2011 | \$ 1,602,820 | 6.000 | 40.000 | \$ 119,487 | \$ 147,226 | 123.22% |
| 2012 | \$ 2,359,580 | 15.000 | 36.000 | \$ 120,339 | \$ 120,341 | 100.00% |
| 2013 | \$ 2,348,680 | 15.000 | 36.000 | \$ 119,783 | \$ 119,413 | 99.69% |
| 2014 | \$ 2,233,730 | 15.000 | 50.000 | \$ 145,192 | \$ 145,351 | 100.11% |
| 2015 | \$ 2,178,370 | 15.000 | 50.000 | \$ 141,594 | \$ 141,608 | 100.01% |
| 2016 | \$ 2,728,500 | 15.000 | 50.000 | \$ 177,353 | \$ 177,352 | 100.00% |
| 2017 | \$ 2,952,570 | 15.000 | 35.600 | \$ 149,400 | \$ 149,401 | 100.00% |
| Estimated for the year ending December 31, 2018 | \$ 4,093,780 | 15.000 | 20.050 | \$ 143,487 | | |