

LIBERTY MEAD METROPOLITAN DISTRICT
Weld County, Colorado

FINANCIAL STATEMENTS
December 31, 2017

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June 6 , 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
Liberty Mead Metropolitan District

We have audited the accompanying financial statements of the governmental activities and the major funds of Liberty Mead 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 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 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 Liberty Mead 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

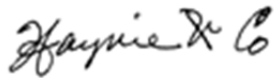
Required Supplementary Information

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 Liberty Mead 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
April 26, 2018

BASIC FINANCIAL STATEMENTS

LIBERTY MEAD METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
December 31, 2017

| | <u>Governmental Activities</u> |
|--------------------------------------|---|
| ASSETS | |
| Cash | \$ 157,305 |
| Cash - Restricted | 11,400 |
| Receivable from County Treasurer | 1,911 |
| Property taxes receivable | 220,511 |
| Capital assets not being depreciated | 1,076,093 |
| Total assets | <u>1,467,220</u> |
| LIABILITIES | |
| Accounts payable | <u>783</u> |
| Total liabilities | <u>783</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred property revenue | <u>220,511</u> |
| Total deferred inflows of resources | <u>220,511</u> |
| NET POSITION | |
| Restricted for: | |
| Emergency reserves | 11,400 |
| Unrestricted | <u>1,234,526</u> |
| Total net position | <u><u>\$ 1,245,926</u></u> |

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

**LIBERTY MEAD METROPOLITAN DISTRICT
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: | | | | | |
| Governmental activities: | | | | | |
| General government | \$ 39,606 | \$ - | \$ - | \$ - | \$ (39,606) |
| | <u>\$ 39,606</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>(39,606)</u> |
| General revenues: | | | | | |
| Property taxes | | | | | 351,494 |
| Specific ownership taxes | | | | | 27,296 |
| Other revenue | | | | | 176 |
| Total general revenues | | | | | <u>378,966</u> |
| Change in net position | | | | | 339,360 |
| Net position - Beginning | | | | | 906,566 |
| Net position - Ending | | | | | <u>\$ 1,245,926</u> |

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

**LIBERTY MEAD METROPOLITAN DISTRICT
BALANCE SHEET - GOVERNMENTAL FUND
December 31, 2017**

| | General Fund |
|--|-------------------------|
| ASSETS | |
| Cash | \$ 157,305 |
| Cash - Restricted | 11,400 |
| Receivable from County Treasurer | 1,911 |
| Property taxes receivable | 220,511 |
| Total assets | \$ 391,127 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | |
| LIABILITIES | |
| Accounts payable | \$ 783 |
| Total liabilities | 783 |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred property tax revenue | 220,511 |
| Total deferred inflows of resources | 220,511 |
| FUND BALANCES | |
| Restricted for: | |
| Emergencies (TABOR) | 11,400 |
| Unassigned | 158,433 |
| Total fund balances | 169,833 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | |
| Amounts reported for governmental activities in the statement of net position are different because: | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the funds. | 1,076,093 |
| Net position of governmental activities | \$ 1,245,926 |

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

LIBERTY MEAD METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
Year Ended December 31, 2017

| | <u>General Fund</u> |
|---|--------------------------|
| REVENUES | |
| Property taxes | \$ 351,494 |
| Specific ownership taxes | 27,296 |
| Other revenue | 176 |
| Total revenues | <u>378,966</u> |
| EXPENDITURES | |
| General government | |
| Accounting | 7,353 |
| Auditing | 4,000 |
| County Treasurer's fees | 5,273 |
| Dues and licenses | 194 |
| Insurance and bonds | 250 |
| Legal services | 22,536 |
| Water rights purchase | 1,076,093 |
| Total expenditures | <u>1,115,699</u> |
| NET CHANGE IN FUND BALANCE | (736,733) |
| FUND BALANCE - BEGINNING OF YEAR | <u>906,566</u> |
| FUND BALANCE - END OF YEAR | <u><u>\$ 169,833</u></u> |

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

**LIBERTY MEAD METROPOLITAN DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
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 | \$ (736,733) |
| Governmental funds report capital outlays as expenditures. In the statement of activities, capital outlay is not reported as an expenditure. | |
| Capital outlay | <u>1,076,093</u> |
| Changes in net position of governmental activities | <u><u>\$ 339,360</u></u> |

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

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

| | <u>Budget Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---|-----------------------|-------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Property taxes | \$ 351,494 | \$ 351,494 | \$ 351,494 | \$ - |
| Specific ownership taxes | - | - | 27,296 | 27,296 |
| Other revenue | - | - | 176 | 176 |
| Total revenues | <u>351,494</u> | <u>351,494</u> | <u>378,966</u> | <u>27,472</u> |
| EXPENDITURES | | | | |
| Accounting | - | 8,000 | 7,353 | 647 |
| Auditing | - | 4,000 | 4,000 | - |
| Accounting and legal | 41,850 | - | - | - |
| County Treasurer's fee | - | 5,273 | 5,273 | - |
| Dues and licenses | - | 194 | 194 | - |
| Insurance and bonds | 1,800 | 250 | 250 | - |
| Legal services | - | 23,000 | 22,536 | 464 |
| Contingency | - | 759 | - | 759 |
| Water rights purchase | - | 1,077,000 | 1,076,093 | 907 |
| Total expenditures | <u>43,650</u> | <u>1,118,476</u> | <u>1,115,699</u> | <u>2,777</u> |
| NET CHANGE IN FUND BALANCE | 307,844 | (766,982) | (736,733) | 30,249 |
| FUND BALANCE - BEGINNING OF YEAR | <u>832,206</u> | <u>906,566</u> | <u>906,566</u> | <u>-</u> |
| FUND BALANCE - END OF YEAR | <u>\$ 1,140,050</u> | <u>\$ 139,584</u> | <u>\$ 169,833</u> | <u>\$ 30,249</u> |

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

LIBERTY MEAD METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 1 - DEFINITION OF REPORTING ENTITY

Liberty Mead 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 the County of Weld on January 24, 2014, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District operates under a Service Plan approved by the Town of Mead on March 31, 2014.

The District was established to finance the construction of certain streets, traffic safety controls, street lighting, sanitary sewer, water, landscaping, storm drainage, mosquito control, and park and recreation improvements. The District shall not provide fire protection or emergency medical services of 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 is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Government-wide and Fund Financial Statements

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

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

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.

**LIBERTY MEAD METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the 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. 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 is due.

The District reports the following major governmental fund:

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

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.

Amended Budget

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

**LIBERTY MEAD METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes

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

Capital Assets

Capital assets, which include water rights, are reported by the District. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Water Rights

The cost of water rights includes acquisition cost, legal and engineering costs related to the development and augmentation of those rights. Since the rights have a perpetual life, they are not amortized. All other costs, including costs incurred for the protection of those rights, are expensed.

During 2017, the District purchased 70.28 Little Thompson Water District ("LTWD") Urban Raw Water credits for \$1,075,000. The District capitalized this purchase along with the soft costs incurred to purchase the credits. The District is within the boundaries of LTWD and will receive water services from LTWD, and these water credits were acquired for future use within the District.

Deferred Inflow/Outflow 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.

**LIBERTY MEAD METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity

Net Position

For government-wide presentation purposes when both restricted and unrestricted resources are available for use, it is the 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.
- *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 policy to use the most restrictive classification first.

LIBERTY MEAD METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 3 - CASH AND INVESTMENTS

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

Statement of net position:

| | |
|-----------------------------------|-------------------|
| Cash and investments | \$ 157,305 |
| Cash and investments - Restricted | <u>11,400</u> |
| Total cash and investments | <u>\$ 168,705</u> |

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

| | |
|--------------------------------------|-------------------|
| Deposits with financial institutions | \$ 8,024 |
| Investments | <u>160,681</u> |
| Total cash and investments | <u>\$ 168,705</u> |

Deposits with Financial Institutions

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

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

At December 31, 2017, the District's cash deposits had a bank balance and a carrying balance of \$8,024.

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. Guaranteed investment contracts not purchased with bond proceeds, are limited to maturities of three years or less.

**LIBERTY MEAD METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017**

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

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

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

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

| Investment | Maturity | Amount |
|---|-----------------------------------|-------------------|
| Colorado Surplus Asset Fund Trust (CSAFE) | Weighted average under 60 days | <u>\$ 160,681</u> |

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.

**LIBERTY MEAD METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017**

NOTE 4 - CAPITAL ASSETS

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

| <u>Governmental Activities:</u> | <u>Balance at December 31, 2016</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance at December 31, 2017</u> |
|---|---|---------------------|------------------|---|
| Capital assets, not being depreciated: | | | | |
| Water rights | \$ - | \$ 1,076,093 | \$ - | \$ 1,076,093 |
| Total capital assets, not being depreciated | <u>\$ -</u> | <u>\$ 1,076,093</u> | <u>\$ -</u> | <u>\$ 1,076,093</u> |

NOTE 5 – AUTHORIZED DEBT

On May 6, 2014, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$105,300,000 at an interest rate not to exceed 18% per annum. At December 31, 2017, the District had the following remaining authorized but unissued indebtedness:

| | <u>Authorized May 6, 2014 Election</u> |
|--------------------------------|--|
| Streets | \$ 8,775,000 |
| Parks and Recreation | 8,775,000 |
| Water | 8,775,000 |
| Sanitation/Storm Sewer | 8,775,000 |
| Transportation | 8,775,000 |
| Mosquito Control | 8,775,000 |
| Safety Protection | 8,775,000 |
| Fire Protection | 8,775,000 |
| Television Relay & Translation | 8,775,000 |
| Operations & Maintenance | 8,775,000 |
| Refunding of Debt | 8,775,000 |
| Governmental IGA's | 8,775,000 |
| | <u>\$ 105,300,000</u> |

The Service Plan limits the total amount of debt to \$4,674,000 except to allow for refunding of debt. In the future, the District may issue a portion or all of the remaining authorized but unissued debt for purposes of providing public improvements to support development as it occurs within the District's service area.

**LIBERTY MEAD METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017**

NOTE 6 - NET POSITION

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

Restricted assets include net position 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, in the amount of \$11,400 for TABOR emergency reserves.

The District has \$1,234,526 in unrestricted net position as of December 31, 2017.

NOTE 7 - RELATED PARTIES

The Developer of property within the District is 532 Ventures LLC. All of the members of the Board of Directors are associated with 532 Ventures LLC and/or may have conflicts of interest in dealing with the District.

NOTE 8 - AGREEMENTS

Advance and Reimbursement Agreement

On June 16, 2014, the District and the Developer entered into an Advance and Reimbursement Agreement in which the Developer agreed to advance amounts from time to time to cover the administrative and operations costs of the District in the event District revenues are not sufficient. The District agreed to repay the Developer for such advances plus accrued interest at the rate of 5%. Interest shall accrue as of the date each Advance is made to the District; provided, however, that no interest shall begin to accrue on any Advance made to the District prior to May 9, 2014. No amounts are due under this Agreement as of December 31, 2017.

NOTE 9 - RISK MANAGEMENT

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

The District purchased public official position schedule bond from RLI Insurance Company for its Directors on May 9, 2014 with continuous coverage until May 9, 2020.

LIBERTY MEAD 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 which apply to the State of Colorado and all local governments.

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

On November 7, 2017, the District voters passed an election question to increase property taxes \$2,000,000 annually as adjusted for inflation, without limitation of 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 without regard to any limitations under TABOR.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the Emergency Reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

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

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

SUPPLEMENTARY INFORMATION

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

| Year Ended | Prior Year | Mills | Total | | Percent |
|--|--|----------------|---------------|------------------|---------|
| | Assessed Valuation for Current Year | | Levied for | Property Taxes | |
| <u>December 31,</u> | <u>Property Tax Levy</u> | <u>General</u> | <u>Levied</u> | <u>Collected</u> | |
| 2015 | \$ 41,230 | 47.000 | \$ 1,938 | \$ 1,938 | 100.0% |
| 2016 | \$ 18,606,520 | 47.000 | \$ 874,506 | \$ 874,507 | 100.1% |
| 2017 | \$ 7,478,590 | 47.000 | \$ 351,494 | \$ 351,494 | 100.0% |
| Estimated for calendar year ending December 31, 2018 | \$ 4,243,770 | 51.961 | \$ 220,511 | | |