

**KEN-CARYL RANCH  
METROPOLITAN DISTRICT  
Jefferson County, Colorado**

**FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**E**

**RECEIVED**

Office of the State Auditor

July 30, 2018

## Table of Contents

	<u>Page</u>
<b>INDEPENDENT AUDITOR’S REPORT</b>	I
<b>MANAGEMENT’S DISCUSSION AND ANALYSIS</b>	III
<b>BASIC FINANCIAL STATEMENTS</b>	
Government-wide financial statements	
Statement of Net Position – Governmental Activities	1
Statement of Activities – Governmental Activities	2
Fund Financial Statements	
Balance Sheet – Governmental Funds	3
Reconciliation of the Balance Sheet – Governmental Funds To the Statement of Net Position	4
Statement of Revenues, Expenditures and Changes In Fund Balances (Deficit) – Governmental Funds	5
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit) of Government Funds to the Statement of Activities	6
Statement of Revenues, Expenditures and Changes in Fund Balance (Deficit) – Budget and Actual:	
General Fund	7
Conservation Trust and Grant Fund	8
Community Garden Fund	9
Veterans Monument Fund	10
Notes to Financial Statements	11
<b>SUPPLEMENTAL INFORMATION</b>	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual:	
Debt Service Fund	28
Capital Reserve Fund	29
Bond Projects Capital Fund	30
PMD Settlement Capital Projects Fund	31
<b>OTHER INFORMATION</b>	
Summary of Assessed Valuation, Mill Levy and Property Taxes Collected	32
Top Taxpayers Within the District	33
Assessed Valuation of Classes of Property in the District	34



SCHILLING & COMPANY, INC.

*Certified Public Accountants*

P.O. Box 631579  
HIGHLANDS RANCH, CO 80163

PHONE: 720.348.1086

FAX: 720.348.2920

## **Independent Auditor's Report**

Board of Directors  
Ken-Caryl Ranch Metropolitan District  
Jefferson County, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of Ken-Caryl Ranch Metropolitan District (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 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.

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 Ken-Caryl Ranch Metropolitan District, as of December 31, 2017, and the respective changes in financial position and the respective budgetary comparisons for the General Fund, Conservation Trust and Grant Fund, Community Garden Fund and Veterans Monument Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages III through VIII be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The supplemental information listed in the table of contents is presented for purposes of additional analysis and are not a required part of the financial statements.

The supplemental information is the responsibility of management and was derived from and relate 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 supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The other information listed in the table of contents 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 it.

### *Prior-Year Comparative Information*

We have previously audited the District's 2016 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities and each major fund in our report dated September 29, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*SCHILLING & COMPANY, INC.*

Highlands Ranch, Colorado  
July 24, 2018

# Ken-Caryl Ranch Metropolitan District

## Management's Discussion and Analysis

### December 31, 2017

As management of the Ken-Caryl Ranch Metropolitan District ("District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2017.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains supplemental and other information in addition to the basic financial statements themselves.

#### **Government-wide financial statements**

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all the District's assets, liabilities and deferred inflows of resources with the difference being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (i.e. uncollected taxes and earned but unused vacation leave.)

The government-wide financial statements detail functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include general government, parks and recreation, aquatics, tennis, youth services, community garden and veterans memorial.

The government-wide financial statements can be found on pages 1 and 2 of this report.

#### **Fund financial statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District are governmental funds.

#### **Governmental funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable

# Ken-Caryl Ranch Metropolitan District

## Management's Discussion and Analysis

### December 31, 2017

resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District adopts an annual appropriated budget for each fund. Budgetary comparison statements have been provided to demonstrate compliance with these budgets.

The basic governmental fund financial statements can be found on pages 3-10 of this report.

#### **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 11-27 of this report.

Other Information: In addition to the basic financial statements and accompanying notes, this report also presents supplementary information consisting of a budget to actual comparisons and certain statistical information. The supplemental information can be found on pages 28-31 of this report and the other information can be found on pages 32-34.

#### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities and deferred inflows of resources by \$5,721,821 at the close of the most recent fiscal year.

By far the largest portion of the District's net position reflects its investment in capital assets (e.g. land, buildings and improvements, vehicles and equipment) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

On September 30, 2014, the District issued \$7,900,000 of General Obligation Bonds to finance improvements to the facilities and parks in the community. During 2016, a significant majority of the construction of the improvements were completed. Remaining costs of \$156,010 were completed in 2017. Long term obligations as of December 31, 2017 reflect a decrease due to the reduction of outstanding bonds payable as a result of the District making the scheduled debt service payments on the outstanding bonds. Additional information on the District's capital assets and long term debt can be found in the Capital Asset and Debt Administration section of this management's discussion and analysis. Deferred property tax revenue as of December 31,

# Ken-Caryl Ranch Metropolitan District

## Management's Discussion and Analysis

### December 31, 2017

2017 reflects an increase from 2016 figures resulting from an increase in assessed valuation for the District for property taxes to be collected in 2018.

Refer to the following table for additional detail regarding these changes:

	<b>2017</b>	<b>2016</b>
<b>Assets:</b>		
Current and other assets	\$ 5,812,960	\$ 4,643,834
Capital assets, net of accumulated depreciation	10,179,736	10,249,734
<b>Total Assets</b>	15,992,696	14,893,568
<b>Liabilities:</b>		
Long-term liabilities outstanding	5,951,746	6,783,608
Other liabilities	361,686	783,303
<b>Total Liabilities</b>	6,313,432	7,566,911
<b>Deferred Inflows of Resources:</b>		
Deferred property tax revenue	3,957,443	3,680,838
<b>Total Deferred Inflows of Resources</b>	3,957,443	3,680,838
<b>Net Position:</b>		
Net investment in capital assets	4,237,259	3,476,719
Restricted	1,361,999	348,968
Unrestricted	122,563	(179,868)
<b>Total Net Position</b>	\$ 5,721,821	\$ 3,645,819

The District's overall financial position, as measured by net position, increased \$2,076,002, or 57%, during 2017. For 2017 the District's total revenues increased by \$1,049,634, or 16%. The majority of these increases were the result of \$1,048,000 in installment payments received in accordance with the Stipulated Supplemental Judgement stemming from the District's litigation with the Plains Metropolitan District. Since 2004, a period of thirteen years, the District has been involved in litigation with the Plains Metropolitan District ("Plains"). The District expended approximately \$1 million in cumulative legal costs over this period. The case went through two trials and two appeals. The District ultimately prevailed. Pursuant to the Stipulated Supplemental Judgment, Plains must pay the District a total of \$3.5 million as set forth in a payment schedule. These funds are restricted for certain capital improvements. Additional information on Plains Metropolitan District litigation can be found in Note 11 of this report. The District received capital contributions comprised of contributions from the KCRMA of \$263,761, which were used to fund the remainder of capital improvement projects that were substantially completed during 2016. Additionally, the District's property tax revenues were consistent from 2016 to 2017, due to stable assessed valuation and mill levies. Charges for services revenue increased \$135,592, or 7%, as a result of increased facility usage with the newly renovated facilities. Total expenses increased by \$306,257, or 6%. Most of these increases were the result of higher activity and increased program costs. The District's increases in revenues outpaced the increases in expense, which resulted in a \$2,076,002 change in net position for 2017 when compared to \$1,332,625 for 2016.

Refer to the following table for additional detail regarding these changes:

# Ken-Caryl Ranch Metropolitan District

## Management's Discussion and Analysis

### December 31, 2017

#### Statement of Activities

	2017	2016
<b>Revenues:</b>		
Program revenues:		
Charges for services	\$ 2,167,881	\$ 2,032,289
Operating contributions	106,385	685
Capital contributions	1,375,774	586,789
General revenues:		
Property taxes	3,683,005	3,683,444
Specific ownership taxes	359,724	295,660
Net investment income	6,377	7,662
Insurance recoveries	-	39,483
Gain on disposal of capital assets	-	3,500
<b>Total Revenues</b>	7,699,146	6,649,512
<b>Expenses:</b>		
General	996,471	809,150
Parks and facilities	2,339,438	2,156,240
Recreation	737,996	636,470
Aquatics	273,777	259,333
Youth services	598,877	763,449
Tennis	522,435	536,380
Community garden	11,570	533
Interest and debt issuance costs	142,580	155,332
<b>Total Expenses</b>	5,623,144	5,316,887
<b>Change in Net Position</b>	2,076,002	1,332,625
<b>Net Position - Beginning</b>	3,645,819	2,313,194
<b>Net Position - Ending</b>	\$ 5,721,821	\$ 3,645,819

#### FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As mentioned previously, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A discussion of the District's funds follows.

#### Governmental funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$1,491,074. Of this fund balance: \$84,820 is nonspendable – meaning it is not in spendable form as it represents prepaid expenditures; \$1,368,511 is restricted - meaning it is constrained to specific purposes by their providers, through constitutional provisions, or by enabling legislation; and the remaining fund balance \$37,743 is unassigned.

# Ken-Caryl Ranch Metropolitan District

## Management's Discussion and Analysis

### December 31, 2017

#### GENERAL FUND BUDGETARY HIGHLIGHTS

##### Budget Variances

Results for the General Fund for 2017 reflected a net excess of revenues over expenditures for the year of \$228,915. The excess of revenues over expenditures was due to in large part to program-generated revenues, including increases in fitness center memberships, daily usage fees at renovated facilities, and increased programming offered with contracted instructors. Expenditures also decreased in 2017 in the General Fund due to reductions in capital outlays compared to 2016. The District also reported net other financing sources of \$384,547, which resulted in a total net change in fund balance for the General Fund of \$613,462, and an ending fund balance of \$249,447. During 2017 the District transferred \$155,841 from the Bond Projects Capital Fund to the Capital Reserve Fund, and \$430,483 from the Capital Reserve Fund to the General Fund, a Board of Directors directive to balance prior years' General Fund deficit and ensure sustainability of future District operations. The prior years' directive to transfer funds to the Capital Reserve Fund is anticipated to continue once General Fund balances have been deemed sufficient for sustainable future operations.

#### CAPITAL ASSET AND DEBT ADMINISTRATION

##### Capital Assets

The District's investment in capital assets at December 31, 2017 amounted \$10,179,736 (net of accumulated depreciation/amortization). This investment in capital assets includes land, buildings and improvements, vehicles and equipment. The analysis of changes in capital assets is as follows:

<b>Capital Assets (net of depreciation)</b>			
	2016	Changes	2017
Construction in progress	\$ 8,427,246	\$ (8,384,578)	\$ 42,668
Land and land improvements	1,270,933	1,120,722	2,391,655
Buildings and improvements	134,562	7,301,404	7,435,966
Vehicles and equipment	416,993	(107,546)	309,447
<b>Total</b>	<b>\$ 10,249,734</b>	<b>\$ (69,998)</b>	<b>\$ 10,179,736</b>

During 2017, the capital asset activity included construction and improvements and capital asset purchases. These improvements include \$9,741 on the Veterans Monument, \$83,102 at the Community Center, \$92,158 at the Dakota Lodge Park, and \$22,406 of irrigation, park and landscape improvements. Other major capital improvements in 2017 included \$133,174 for resurfacing tennis courts and a new tennis shade structure, and \$18,334 for initial construction of the Community Center Splash Pad. The Community Center Splash Pad was in an incomplete stage at December 31, 2017 and is therefore included in construction in progress. Additionally, several of these capital improvements are being made to capital assets/facilities owned by other entities, and will be contributed to these entities once completed. Pursuant to the 2014 First Amendment to the December 20, 1988 Reorganization Agreement, the Ken-Caryl Ranch Master Association has agreed that its capital assets to which the capital improvements were

# Ken-Caryl Ranch Metropolitan District

## Management's Discussion and Analysis

### December 31, 2017

made, will remain public facilities for at least the useful life of the capital improvement. The District made no purchases of vehicles or equipment in 2017.

Additional information on the District's capital assets can be found in Note 4 of this report.

**Long-Term Obligations.** At the end of the current fiscal year, the District had total outstanding long-term obligations of \$5,951,746, comprised of general obligation bonds issued for the capital improvement projects and capital leases for equipment and a vehicles used for operations.

<b>Outstanding Debt</b>			
	<b>2016</b>	<b>Change</b>	<b>2017</b>
GO Bonds and Premium on Bonds	\$ 6,594,200	\$ (771,738)	\$ 5,822,462
Capital leases	189,408	(60,124)	129,284
	\$ 6,783,608	\$ (831,862)	\$ 5,951,746

No new bonds, loans or capital leases were entered into during 2017. The principal payments on outstanding debt were made as scheduled during 2017.

Additional information on the District's long-term obligations can be found in Note 5 of this report.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

For 2017, the District's assessed valuation increased for the second consecutive year. Since 2011, the District had lost more than 17% of its total assessed valuation as a result of decreased property values. For 2018, the District will see an increase in its property tax revenues resulting from an increase in assessed valuation levels over 2017. Significant assessed valuation growth is anticipated once again in 2019 as a result of property value reassessments from a strong local real estate market.

Programs showed improvement in 2017 and are anticipated to remain consistent for future years with the newly renovated facilities and additional programming space available.

### **REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Ken-Caryl Ranch Metropolitan District, 7676 South Continental Divide Road, Littleton, CO 80127, phone: (303) 979-1876.

## **BASIC FINANCIAL STATEMENTS**

**KEN-CARYL RANCH METROPOLITAN DISTRICT  
STATEMENT OF NET POSITION  
GOVERNMENTAL ACTIVITIES  
December 31, 2017**

**ASSETS**

Cash and investments - Unrestricted	\$ 345,043
Cash and investments - Restricted	1,216,861
Receivables, net:	
Accounts receivable	27,785
Ken-Caryl Ranch Master Association	171,739
Property tax receivable	3,957,443
Prepaid expenses	84,820
Prepaid bond insurance	9,269
Capital assets, not being depreciated	959,093
Capital assets, being depreciated, net of accumulated depreciation	<u>9,220,643</u>
Total assets	<u>15,992,696</u>

**LIABILITIES**

Accounts payable and other accrued liabilities	221,564
Refunds and deposits payable	37,174
Unearned revenue	96,436
Accrued interest payable	6,512
Long-term obligations:	
Due within one year	849,178
Due within more than one year	<u>5,102,568</u>
Total liabilities	<u>6,313,432</u>

**DEFERRED INFLOWS OF RESOURCES**

Deferred property tax revenue	<u>3,957,443</u>
Total deferred inflows of resources	<u>3,957,443</u>

**NET POSITION**

Net investment in capital assets	4,237,259
Restricted for:	
Emergencies	126,884
Parks and recreation	151,853
Community garden	4,073
Community garden reserve account	13,000
Veterans monument	7,693
Debt service	124,091
Capital additions and improvements	934,405
Unrestricted	<u>122,563</u>
Total net position	<u>\$ 5,721,821</u>

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

**KEN-CARYL RANCH METROPOLITAN DISTRICT  
STATEMENT OF ACTIVITIES  
GOVERNMENTAL 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>
General government	\$ 996,471	\$ 222,018	\$ -	\$ -	\$ (774,453)
Parks and facilities	2,339,438	55,549	106,385	1,365,507	(811,997)
Recreation	737,996	442,215	-	-	(295,781)
Aquatics	273,777	61,110	-	-	(212,667)
Youth services	598,877	821,200	-	-	222,323
Tennis	522,435	562,789	-	4,517	44,871
Community garden	11,570	3,000	-	-	(8,570)
Veterans Memorial	-	-	-	5,750	5,750
Interest and debt issuance costs	142,580	-	-	-	(142,580)
	<u>\$ 5,623,144</u>	<u>\$ 2,167,881</u>	<u>\$ 106,385</u>	<u>\$ 1,375,774</u>	<u>(1,973,104)</u>
General revenues:					
Taxes:					
					3,683,005
					359,724
					6,377
					<u>4,049,106</u>
					2,076,002
					<u>3,645,819</u>
					<u>\$ 5,721,821</u>

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

**KEN-CARYL RANCH METROPOLITAN DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2017**

	General Fund	Conservation Trust and Grant Fund	Community Garden Fund	Veterans Monument Fund	Debt Service Fund	Capital Reserve Fund	Bond Projects Capital Fund	PMD Settlement Capital Projects Fund	Total Governmental Funds
<b>ASSETS</b>									
Cash and investments - Unrestricted	\$ 316,652	\$ -	\$ 20,698	\$ 7,693	\$ -	\$ -	\$ -	\$ -	\$ 345,043
Cash and investments - Restricted	-	151,853	-	-	130,603	-	-	934,405	1,216,861
Accounts and grants receivable	27,785	-	-	-	-	-	-	-	27,785
Due from KCRMA	171,739	-	-	-	-	-	-	-	171,739
Prepaid expenditures	84,820	-	-	-	-	-	-	-	84,820
Property tax receivable	2,912,839	-	-	-	1,044,604	-	-	-	3,957,443
<b>TOTAL ASSETS</b>	<b>\$ 3,513,835</b>	<b>\$ 151,853</b>	<b>\$ 20,698</b>	<b>\$ 7,693</b>	<b>\$ 1,175,207</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 934,405</b>	<b>\$ 5,803,691</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>									
<b>LIABILITIES</b>									
Accounts payable and other accrued liabilities	\$ 220,364	\$ -	\$ 1,200	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 221,564
Refunds and deposits payable	37,174	-	-	-	-	-	-	-	37,174
Unearned revenue	94,011	-	2,425	-	-	-	-	-	96,436
Total Liabilities	351,549	-	3,625	-	-	-	-	-	355,174
<b>DEFERRED INFLOWS OF RESOURCES</b>									
Deferred property tax revenues	2,912,839	-	-	-	1,044,604	-	-	-	3,957,443
Total Deferred Inflows of Resources	2,912,839	-	-	-	1,044,604	-	-	-	3,957,443
<b>FUND BALANCES</b>									
Nonspendable:									
Prepaid expenditures	84,820	-	-	-	-	-	-	-	84,820
Spendable:									
Restricted for:									
Emergencies	126,884	-	-	-	-	-	-	-	126,884
Parks and recreation	-	151,853	-	-	-	-	-	-	151,853
Community garden	-	-	4,073	-	-	-	-	-	4,073
Community garden reserve account	-	-	13,000	-	-	-	-	-	13,000
Veterans monument	-	-	-	7,693	-	-	-	-	7,693
Debt service	-	-	-	-	130,603	-	-	-	130,603
Capital additions and improvements	-	-	-	-	-	-	934,405	-	934,405
Unassigned	37,743	-	-	-	-	-	-	-	37,743
Total Fund Balances	249,447	151,853	17,073	7,693	130,603	-	934,405	-	1,491,074
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 3,513,835</b>	<b>\$ 151,853</b>	<b>\$ 20,698</b>	<b>\$ 7,693</b>	<b>\$ 1,175,207</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 934,405</b>	<b>\$ 5,803,691</b>

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

**KEN-CARYL RANCH METROPOLITAN DISTRICT  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
Year Ended December 31, 2017**

A reconciliation reflecting the differences between the governmental funds total fund balance to the net position of the governmental activities in the Statement of Net Position is as follows:

Total fund balances - governmental funds	<u>\$ 1,491,074</u>
<p>Some assets used in governmental activities are not financial resources, and therefore, are not reported in the Balance Sheet - Governmental Funds.</p>	
Prepaid bond insurance	9,269
Capital assets, net of accumulated depreciation	<u>10,179,736</u>
	<u>10,189,005</u>
<p>Some liabilities, including bonds and capital leases payable and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the Balance Sheet - Governmental Funds.</p>	
Bonds payable and premium on bonds	(5,822,462)
Capital leases payable	(129,284)
Accrued interest payable	<u>(6,512)</u>
	<u>(5,958,258)</u>
Net position of governmental activities	<u><u>\$ 5,721,821</u></u>

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

**KEN-CARYL RANCH METROPOLITAN DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES (DEFICIT) - GOVERNMENTAL FUNDS**  
**Year Ended December 31, 2017**

	General Fund	Conservation Trust and Grant Fund	Community Garden Fund	Veterans Monument Fund	Debt Service Fund	Capital Reserve Fund	Bond Projects Capital Fund	PMD Settlement Capital Projects Fund	Total Governmental Funds
<b>REVENUES</b>									
Property taxes	\$ 2,710,843	\$ -	\$ -	\$ -	\$ 972,162	\$ -	\$ -	\$ -	\$ 3,683,005
Specific ownership taxes	359,724	-	-	-	-	-	-	-	359,724
Program generated revenues	2,164,881	-	3,000	-	-	-	-	-	2,167,881
KCRMA irrigation contribution	100,000	-	-	-	-	-	-	-	100,000
Intergovernmental	-	53,746	-	-	-	-	-	-	53,746
Legal settlement proceeds	-	-	-	-	-	-	-	1,048,000	1,048,000
Net investment income	-	-	-	-	-	-	128	6,249	6,377
Grants and contributions	2,155	4,517	630	5,750	-	-	263,761	-	276,813
Other	3,600	-	-	-	-	-	-	-	3,600
Total revenues	<u>5,341,203</u>	<u>58,263</u>	<u>3,630</u>	<u>5,750</u>	<u>972,162</u>	<u>-</u>	<u>263,889</u>	<u>1,054,249</u>	<u>7,699,146</u>
<b>EXPENDITURES</b>									
General	784,319	-	-	-	14,882	-	-	-	799,201
Parks and facilities	2,125,584	1,202	-	519	-	-	-	-	2,127,305
Recreation	798,120	-	-	-	-	-	-	-	798,120
Aquatics	273,777	-	-	-	-	-	-	-	273,777
Youth services	589,422	-	-	-	-	-	-	-	589,422
Tennis	512,380	-	-	-	-	-	-	-	512,380
Community garden	-	-	11,570	-	-	-	-	-	11,570
Debt service	-	-	-	-	913,650	-	-	-	913,650
Capital outlay	28,686	46,660	-	9,741	-	-	153,984	119,844	358,915
Total expenditures	<u>5,112,288</u>	<u>47,862</u>	<u>11,570</u>	<u>10,260</u>	<u>928,532</u>	<u>-</u>	<u>153,984</u>	<u>119,844</u>	<u>6,384,340</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>228,915</u>	<u>10,401</u>	<u>(7,940)</u>	<u>(4,510)</u>	<u>43,630</u>	<u>-</u>	<u>109,905</u>	<u>934,405</u>	<u>1,314,806</u>
<b>OTHER FINANCING SOURCES (USES)</b>									
Transfer in	430,483	-	-	-	-	155,841	45,936	-	632,260
Transfer (out)	(45,936)	-	-	-	-	(430,483)	(155,841)	-	(632,260)
Total Other Financing Sources (Uses)	<u>384,547</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(274,642)</u>	<u>(109,905)</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES FUND BALANCES (DEFICIT) - BEGINNING OF YEAR</b>	<u>613,462</u>	<u>10,401</u>	<u>(7,940)</u>	<u>(4,510)</u>	<u>43,630</u>	<u>(274,642)</u>	<u>-</u>	<u>934,405</u>	<u>1,314,806</u>
	<u>(364,015)</u>	<u>141,452</u>	<u>25,013</u>	<u>12,203</u>	<u>86,973</u>	<u>274,642</u>	<u>-</u>	<u>-</u>	<u>176,268</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 249,447</u>	<u>\$ 151,853</u>	<u>\$ 17,073</u>	<u>\$ 7,693</u>	<u>\$ 130,603</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 934,405</u>	<u>\$ 1,491,074</u>

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

**KEN-CARYL RANCH METROPOLITAN DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES (DEFICIT) - GOVERNMENTAL  
FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended December 31, 2017**

A reconciliation reflecting the differences between the governmental funds net change in fund balances and change in net position reported for governmental activities in the Statement of Activities as follows:

Net change in fund balances - Total governmental funds	<u>\$ 1,314,806</u>
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>	
Capital outlay	358,915
Depreciation	<u>(428,913)</u>
	<u>(69,998)</u>
<p>The issuance of long-term obligations (e.g. bonds, capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term obligations consumes the current financial resources of governmental funds.</p>	
Bond principal payments	750,000
Amortization of bond premium	21,738
Capital lease principal payments	<u>60,124</u>
	<u>831,862</u>
<p>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.</p>	
Amortization of prepaid bond insurance	(1,324)
Change in accrued interest payable	<u>656</u>
	<u>(668)</u>
Change in net position - Governmental activities	<u><u>\$ 2,076,002</u></u>

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

**KEN-CARYL RANCH METROPOLITAN DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE (DEFICIT) - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**Year Ended December 31, 2017**  
**(With Comparative Actual Amounts for 2016)**

	2017		Variance with Final Budget - Positive (Negative)	2016
	Original and Final Adopted Budget	Actual		Actual
<b>REVENUES</b>				
Property taxes	\$ 2,709,981	\$ 2,710,843	\$ 862	\$ 2,713,161
Specific ownership taxes	275,000	359,724	84,724	295,660
Program generated revenues	2,113,800	2,164,881	51,081	2,029,039
KCRMA irrigation contribution	100,000	100,000	-	-
Net investment income	2,000	-	(2,000)	-
Contributions	-	2,155	2,155	685
Other	-	3,600	3,600	-
Total Revenues	5,200,781	5,341,203	140,422	5,038,545
<b>EXPENDITURES</b>				
Board of Directors	10,459	11,280	(821)	9,669
District manager	122,958	118,134	4,824	-
Finance	171,143	166,967	4,176	254,905
General operations	432,162	487,938	(55,776)	515,761
Open space resource management	4,500	3,954	546	4,987
Facilities	255,215	309,577	(54,362)	334,473
Turf care	245,051	234,762	10,289	233,444
Horticulture	119,641	97,905	21,736	70,050
Forestry care	90,863	95,058	(4,195)	79,947
Parks management	319,165	288,204	30,961	313,907
Fleet maintenance	200,427	189,673	10,754	201,603
Irrigation	573,978	545,402	28,576	447,065
Snow removal	2,500	2,181	319	1,990
Preventative maintenance	159,180	154,192	4,988	132,582
Maintenance shop	33,409	33,559	(150)	35,911
Youth playing fields	10,629	9,857	772	9,305
Community Center maintenance	111,848	161,260	(49,412)	143,659
Recreation management and operations	295,501	300,579	(5,078)	231,711
Environmental education	152,982	184,234	(31,252)	166,289
Wellness services	96,391	127,058	(30,667)	105,556
Recreation services	22,500	44,494	(21,994)	27,414
Cultural and community events	16,455	23,087	(6,632)	19,938
Community Center general operations	111,810	118,668	(6,858)	127,355
Aquatics - Ranch House	142,896	122,867	20,029	122,806
Aquatics - Bradford	35,768	30,130	5,638	29,146
Aquatics - Community Center	115,312	120,780	(5,468)	107,381
Youth Services	670,206	589,422	80,784	751,244
Tennis	509,536	512,380	(2,844)	532,859
Capital outlay	-	28,686	(28,686)	293,435
Salaries/employee merit	10,000	-	10,000	-
Contingency	8,296	-	8,296	-
Total Expenditures	5,050,781	5,112,288	(61,507)	5,304,392
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	150,000	228,915	78,915	(265,847)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer in	-	430,483	430,483	(190,000)
Transfer (out)	(150,000)	(45,936)	104,064	-
Capital leases issued	-	-	-	231,201
Insurance proceeds	-	-	-	39,483
Proceeds from disposal of capital assets	-	-	-	3,500
Total Other Financing Sources (Uses)	(150,000)	384,547	534,547	84,184
<b>NET CHANGE IN FUND BALANCE</b>	-	613,462	613,462	(181,663)
<b>FUND BALANCE (DEFICIT) - BEGINNING OF YEAR</b>	8,296	(364,015)	(372,311)	(182,352)
<b>FUND BALANCE (DEFICIT) - END OF YEAR</b>	\$ 8,296	\$ 249,447	\$ 241,151	\$ (364,015)

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

**KEN-CARYL RANCH METROPOLITAN DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
CONSERVATION TRUST AND GRANT FUND  
Year Ended December 31, 2017  
(With Comparative Actual Amounts for 2016)**

	2017			2016
	Original and Final Adopted Budget	Actual	Variance with Final Budget - Positive (Negative)	Actual
<b>REVENUES</b>				
Intergovernmental:				
Conservation Trust Fund proceeds	\$ 55,000	\$ 53,746	\$ (1,254)	\$ 60,313
Grant revenue	17,500	4,517	(12,983)	127,250
Total Revenues	<u>72,500</u>	<u>58,263</u>	<u>(14,237)</u>	<u>187,563</u>
<b>EXPENDITURES</b>				
Parks	-	1,202	(1,202)	8,263
Capital outlay	72,500	46,660	25,840	153,295
Total Expenditures	<u>72,500</u>	<u>47,862</u>	<u>24,638</u>	<u>161,558</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	10,401	10,401	26,005
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>65,823</u>	<u>141,452</u>	<u>75,629</u>	<u>115,447</u>
<b>FUND BALANCE - END OF YEAR</b>	<u><u>\$ 65,823</u></u>	<u><u>\$ 151,853</u></u>	<u><u>\$ 86,030</u></u>	<u><u>\$ 141,452</u></u>

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

**KEN-CARYL RANCH METROPOLITAN DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
COMMUNITY GARDEN FUND  
Year Ended December 31, 2017  
(With Comparative Actual Amounts for 2016)**

	2017			Variance with Final Budget - Positive (Negative)	2016
	Original Adopted Budget	Final Adopted Budget	Actual		Actual
<b>REVENUES</b>					
Garden fees	\$ 1,800	\$ 3,000	\$ 3,000	\$ -	\$ 3,250
Contributions	-	630	630	-	-
Total Revenues	1,800	3,630	3,630	-	3,250
<b>EXPENDITURES</b>					
Garden maintenance and supplies	2,000	11,570	11,570	-	533
Total Expenditures	2,000	11,570	11,570	-	533
<b>NET CHANGE IN FUND BALANCE</b>	(200)	(7,940)	(7,940)	-	2,717
<b>FUND BALANCE - BEGINNING OF YEAR</b>	23,573	25,013	25,013	-	22,296
<b>FUND BALANCE - END OF YEAR</b>	\$ 23,373	\$ 17,073	\$ 17,073	\$ -	\$ 25,013

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

**KEN-CARYL RANCH METROPOLITAN DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
VETERANS MONUMENT FUND  
Year Ended December 31, 2017  
(With Comparative Actual Amounts for 2016)**

	2017			Variance with Final Budget - Positive (Negative)	2016
	Original Adopted Budget	Final Adopted Budget	Actual		Actual
<b>REVENUES</b>					
Contributions	\$ 1,000	\$ 5,750	\$ 5,750	\$ -	\$ 6,800
Total Revenues	1,000	5,750	5,750	-	6,800
<b>EXPENDITURES</b>					
Parks and facilities	-	519	519	-	2,133
Capital outlay	1,000	9,741	9,741	-	13,760
Total Expenditures	1,000	10,260	10,260	-	15,893
<b>NET CHANGE IN FUND BALANCE</b>	-	(4,510)	(4,510)	-	(9,093)
<b>FUND BALANCE - BEGINNING OF YEAR</b>	896	12,203	12,203	-	21,296
<b>FUND BALANCE - END OF YEAR</b>	\$ 896	\$ 7,693	\$ 7,693	\$ -	\$ 12,203

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

**KEN-CARYL RANCH METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 1 – DEFINITION OF REPORTING ENTITY**

Ken-Caryl Ranch Metropolitan District (District), a quasi-municipal corporation, is governed pursuant to the provisions of the Colorado Special District Act. The District's service area is located in Jefferson County, Colorado. The District was established to provide park (including open space) and recreation, transportation and television relay and transmission services.

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 following entities are not part of the District's defined reporting entity as each of these entities has their own elected governing boards and are independent of the District as to fiscal accountability and financial affairs:

Ken-Caryl Ranch Master Association  
The Ken-Caryl Ranch Foundation  
Ken-Caryl Ranch Water and Sanitation District  
Plains Metropolitan District

**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. For the most part, 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, with the difference between the assets, liabilities, and deferred inflows of resources of the District being 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.

**KEN-CARYL RANCH METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

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 is computed and recorded as an operating expense. Expenditures for capital assets 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 program generated revenues. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation paid. All other revenue items are considered to be measurable and available only when cash is received by the District.

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 *Conservation Trust and Grant Fund* is used to account for State of Colorado Lottery proceeds and grant proceeds that are restricted for recreational expenditures.

The *Community Garden Fund* is used to account for the District's gardener user fees, expenditures and required reserves for the District's community garden program.

The *Veterans Monument Fund* is used to account for the contributions being accumulated for and the construction of a Veterans monument.

The *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of the District.

The *Capital Reserve Fund* is used to account for financial resources to be used for capital projects, improvements and assets.

The *Bond Projects Capital Fund* is used to account for proceeds from the District's General Obligation Bonds Series 2014 to be used for capital projects, improvements and capital assets.

The *PMD Settlement Capital Projects Fund* is used to account for proceeds from the Stipulated Supplemental Judgement stemming from the District's litigation with the Plains Metropolitan District.

**KEN-CARYL RANCH METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

**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.

For the year ended December 31, 2017, supplementary appropriations approved by the District modified the appropriations for the Community Garden Fund, Veterans Monument Fund, Capital Reserve Fund, Bond Projects Capital Fund, and PMD Settlement Capital Projects Fund.

**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.

**Receivables**

Receivables are reported net of an allowance for uncollectible accounts.

**Prepaid Expenditures/Expenses**

Certain payments to vendors for goods or services reflect costs applicable to future accounting periods are recorded as prepaid items in both government-wide and fund financial statements.

**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 30 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 revenue and reported as deferred inflows of resources in the year they are levied and measurable. The deferred property tax revenues are recorded as revenue in the year they are available or collected.

**KEN-CARYL RANCH METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**Capital Assets**

Capital assets, which include property, equipment, and infrastructure assets (e.g. trails and bridges), are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the District as assets, including equipment, with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of three years, and improvements to buildings with a cost of more than \$50,000. District capital assets include assets owned by the District, as well as capital expenditures made by the District to property owned by third parties but operated and maintained by the District, and which are considered to be leasehold improvements to such assets. This category includes assets operated, maintained and improved by the District which are owned by the Ken-Caryl Ranch Master Association and Jefferson County.

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Property and equipment of the District, as well as any component units, is depreciated using the straight line method over the following estimated useful lives:

Land and land improvements	15 years
Buildings and improvements	10-40 years
Vehicles and equipment	5-15 years

**Fund Balances – Governmental Funds**

The District's governmental fund balances may consist of five classifications based on the relative strength of the spending constraints as follows:

Nonspendable fund balance—the amount of fund balance that is not in spendable form (such as inventory or prepaids) or is legally or contractually required to be maintained intact.

Restricted fund balance—the amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance—amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., Board of Directors). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.

Assigned fund balance—amounts the District intends to use for a specific purpose. Intent can be expressed by the District Board of Directors or by an official or body to which the District Board of Directors delegates the authority.

Unassigned fund balance—amounts that are available for any purpose.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an

**KEN-CARYL RANCH METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the District Board of Directors has provided otherwise in its commitment or assignment actions.

**Intergovernmental Revenue**

Intergovernmental revenue represents shared revenue and grants from the State of Colorado, Jefferson County and the Scientific and Cultural Facilities District.

**Program Generated Revenue**

Program generated revenue represents fees charges for recreational programs, landscape maintenance, tennis services and youth services.

**Reclassifications**

For comparability, certain 2016 amounts have been reclassified where appropriate to conform with the 2017 financial statement presentation.

**NOTE 3 - CASH AND INVESTMENTS**

**Cash Deposits**

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 percent 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 \$717,490 and a carrying balance of \$710,139. In addition, the District had cash on hand of \$2,400.

**Investments**

**Credit Risk**

The District has adopted a formal investment policy, which allows the District to invest in the one or more of the following:

- . U.S. treasury bills, notes and bonds
- . Government agencies
- . Insured or fully-collateralized certificates of deposit at commercial banks
- . The Colorado Local Government Liquid Asset Trust (Colotrust Prime)
- . The Colorado Local Government Liquid Asset Trust (Colotrust PLUS+)

**KEN-CARYL RANCH METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

Commercial paper with a credit rating of A1/P1 – A1+/P1

The District has invested in a local government investment pool, the Colorado Local Government Liquid Asset Trust (COLOTRUST), which is rated AAAM by Standard & Poor's.

**Interest Rate Risk**

The District's investment policy states that the maturity of the securities shall be structured to avoid any undue concentration in any sector of the yield curve. No portion of the portfolio shall exceed five years in maturity with consideration for a laddering approach.

At December 31, 2017, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Value at NAV</u>
COLOTRUST	Weighted average under 60 days	\$ <u>849,365</u>

**COLOTRUST**

At December 31, 2017, the District has invested in the Colorado Local Government Liquid Asset Trust (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies and instrumentalities, and repurchase agreements collateralized with certain U.S. government agencies or instrumentalities. COLOTRUST PLUS+ may also invest in the highest rated commercial paper. Both the COLOTRUST PRIME and COLOTRUST PLUS+ portfolios are rated AAAM by Standard and Poor's.

**Concentration of Credit Risk**

The District's investment policy states that the composition of the portfolio will vary according to market opportunities at the discretion of District management and the District Treasurer. However, at no time may the total investment in Commercial Paper exceed 25% of the overall District investment portfolio.

Following is the composition of the District's cash and investment portfolio as of December 31, 2017:

Cash on hand	\$ 2,400
Deposits with financial institutions	710,139
Investments	849,365
Total cash and investments	<u>\$ 1,561,904</u>

**KEN-CARYL RANCH METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

Cash and investments are reported in the financial statements at December 31, 2017 as follows:

Cash and investments - Unrestricted	\$ 345,043
Cash and investments - Restricted	<u>1,216,861</u>
	<u><u>\$ 1,561,904</u></u>

The restricted cash and investments of \$1,216,861 at December 31, 2017 is comprised of the following: \$151,853 of unspent Conservation Trust Fund (Colorado Lottery) proceeds which are restricted for parks and recreation purposes, accumulated donations restricted for use for the Veterans monument, \$130,603 of accumulated property taxes that were levied for payment of the debt service on the District's Series 2014 General Obligation Bonds, and \$934,405 of legal settlement proceeds restricted for capital additions and improvements.

**Investment Valuation**

Certain investments are measured at fair value on a recurring basis are categorized within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

However, the District's investments are not categorized within the fair value hierarchy. The District's investments are measured at amortized cost or in certain circumstances the value is calculated using the net asset value (NAV) per share, or its equivalent of the investment. These investments include 2a7-like external investment pools and money market investments. The District held investments in COLOTRUST at yearend for which the investment valuations were determined as follows.

**COLOTRUST**

COLOTRUST determines the NAV of the shares of each portfolio as of the close of business of each day. The NAV per share of each portfolio is computed by dividing the total value of the securities and other assets of the portfolios, less any liabilities, by the total outstanding shares of the portfolios. Liabilities, which include all expenses and fees of COLOTRUST, are accrued daily. The NAV is calculated at fair value using various inputs in determine value in accordance with FASB guidance. It is the goal of the Trust to maintain a NAV of \$1.00 per share, however changes in interest rates may affect the fair value of the securities held by COLOTRUST and there can be no assurance that the NAV will not vary from \$1.00 per share.

THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK

**KEN-CARYL RANCH 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>Balance at December 31, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2017</u>
Governmental activities				
Capital assets, not being depreciated:				
Land and land improvements	\$ 916,425	\$ -	\$ -	\$ 916,425
Construction in progress:				
Veterans monument	50,056	9,741	(59,797)	-
Community Center improvements	3,647,987	102,630	(3,707,949)	42,668
Ranch House improvements	2,278,909	-	(2,278,909)	-
Dakota Lodge improvements	1,392,676	2,500	(1,395,176)	-
Park and landscape improvements	1,057,618	89,658	(1,147,276)	-
Total capital assets, not being depreciated	<u>9,343,671</u>	<u>204,529</u>	<u>(8,589,107)</u>	<u>959,093</u>
Capital assets, being depreciated:				
Land and land improvements	401,884	1,229,479	-	1,631,363
Buildings and improvements	257,548	7,504,298	-	7,761,846
Vehicles and equipment	1,596,021	9,716	-	1,605,737
Total capital assets, being depreciated	<u>2,255,453</u>	<u>8,743,493</u>	<u>-</u>	<u>10,998,946</u>
Less accumulated depreciation for:				
Land and land improvements	(47,376)	(108,757)	-	(156,133)
Buildings and improvements	(122,986)	(202,894)	-	(325,880)
Vehicles and equipment	(1,179,028)	(117,262)	-	(1,296,290)
Total accumulated depreciation	<u>(1,349,390)</u>	<u>(428,913)</u>	<u>-</u>	<u>(1,778,303)</u>
Total capital assets, being depreciated, net	<u>906,063</u>	<u>8,314,580</u>	<u>-</u>	<u>9,220,643</u>
Government capital assets, net	<u>\$ 10,249,734</u>	<u>\$ 8,519,109</u>	<u>\$ (8,589,107)</u>	<u>\$ 10,179,736</u>

Depreciation expense was charged to the following functions/programs:

General	\$ 197,270
Parks and facilities	212,133
Youth services	9,455
Tennis	10,055
	<u>\$ 428,913</u>

**KEN-CARYL RANCH METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 5 – LONG-TERM OBLIGATIONS**

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

	<u>Balance at December 31, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2017</u>	<u>Due Within One Year</u>
GO Bonds, Series 2014:					
GO Bonds	\$ 6,485,000	\$ -	\$ (750,000)	\$ 5,735,000	\$ 765,000
Premium on GO Bonds	109,200	-	(21,738)	87,462	21,739
Capital Leases:					
Mini Bus	39,828	-	(16,043)	23,785	16,658
Fitness Equipment	149,580	-	(44,081)	105,499	45,781
	<u>\$ 6,783,608</u>	<u>\$ -</u>	<u>\$ (831,862)</u>	<u>\$ 5,951,746</u>	<u>\$ 849,178</u>

**General Obligation Bonds, Series 2014**

On September 20, 2014, the District issued \$7,900,000 of General Obligation Bonds, Series 2014. The bonds were issued to fund various improvements to community parks and recreation amenities and facilities within the District’s boundaries. The bonds are serial bonds bearing interest at 2.00% and 3.00% with interest payments due semiannually on June 15 and December 15, commencing on June 15, 2015. Principal on the bonds is due annually on December 15, beginning December 15, 2015. Final maturity of the bonds is December 15, 2024. The bonds maturing on and before December 15, 2019 are not subject to redemption prior to maturity. The bonds maturing on and after December 15, 2020 are subject to redemption prior to maturity at the option of the District on December 15, 2019 or on any date thereafter at a redemption price equal to the principal amount so redeemed plus accrued interest to the redemption date, without a redemption premium. The bonds are secured by the District’s full faith and credit and are general obligations of the District payable from a separate voter-approved ad valorem taxes to be levied, without limitation as to rate, in an amount to pay the principal and interest on the bonds when due. The scheduled payments of principal and interest on the bonds are guaranteed under an insurance policy through the Municipal Assurance Corp. an Assured Guaranty Company.

The District’s General Obligation Bonds, Series 2014, will mature as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 765,000	\$ 148,650	\$ 913,650
2019	780,000	133,350	913,350
2020	795,000	117,750	912,750
2021	810,000	101,850	911,850
2022	835,000	77,550	912,550
2023-2024	1,750,000	79,200	1,829,200
	<u>\$ 5,735,000</u>	<u>\$ 658,350</u>	<u>\$ 6,393,350</u>

At December 31, 2017, the District had no authorized but unissued debt.

**KEN-CARYL RANCH METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

***Capital Leases***

**Fitness Equipment**

On November 5, 2015 the District entered into a Master Governmental Lease Purchase Agreement with Wells Fargo Equipment Finance, Inc. On November 5, 2015 the District entered into a Supplement to Master Governmental Lease Purchase Agreement (Fitness Equipment Lease) regarding the lease purchase of certain fitness equipment for a total of \$202,373, of which \$182,136 was financed with this Fitness Equipment Lease. The associated fitness equipment was purchased and delivered in 2016. The Fitness Equipment Lease is for a term of 48 months and requires monthly payments which began in April 2016 in the amount of \$4,083, including interest at 3.79%, with final payment due in March 2020. During 2017 the District paid and recognized interest expense of \$4,909. As of December 31, 2017, the fitness equipment had a net book value of \$121,424, including accumulated depreciation of \$80,949.

**Mini Passenger Bus**

On November 5, 2015 the District entered into a Master Governmental Lease Purchase Agreement with Wells Fargo Equipment Finance, Inc. On January 5, 2016 the District entered into a Supplement to Master Governmental Lease Purchase Agreement (Mini Bus Lease) regarding the lease purchase of a Mini Passenger Bus for a total of \$49,065. The associated Mini Passenger Bus was purchased and delivered in 2016. The Mini Bus Lease is for a term of 36 months and requires monthly payments which began in June 2016 in the amount of \$1,439, including interest at 3.77%, with final payment due in May 2019. During 2017 the District paid and recognized interest expense of \$1,225. As of December 31, 2017, the Mini Passenger Bus had a net book value of \$35,046, including accumulated depreciation of \$14,019.

The future minimum lease payments on these capital leases as of December 31, 2017 are as follows:

Year Ending	
2018	\$ 66,258
2019	56,185
2020	<u>12,248</u>
Total minimum lease payments	134,691
Less amount representing interest	<u>(5,407)</u>
Present value of minimum lease payments	<u><u>\$ 129,284</u></u>

***Operating Leases***

The District has entered into the following lease agreements.

**Community Center Lease**

During December 1991, the District entered into a lease agreement with Jefferson County (County) for the operation and maintenance of the Ken-Caryl Ranch Community Center (Community Center). The initial term of the lease is 35 years with an annual rental fee of \$1 which was paid in full upon execution of the lease. The lease may be renewed for one additional 35 year term or in the absence of such renewal, shall remain in effect after the initial term on a month to month basis. Improvements to the Community Center will be paid for by the

**KEN-CARYL RANCH METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

District. All improvements to the Community Center remain the property of the County. On June 18, 2015, the District and the County entered into an amendment to this lease agreement which extended the lease expiration date from December 12, 2026 to December 12, 2036. Additionally, the amendment modified various other terms of the lease agreement, including the addition of a provision whereby the County may deed the Community Center to the District upon satisfaction of various terms.

**Maintenance Shop Lease**

On January 1, 2001, the District entered into a lease agreement with the Association to rent the maintenance shop. The initial term of the lease was 1 year with an annual rental fee of \$1 which was paid in full upon execution of the lease. The lease will renew automatically for additional 1 year terms. Improvements to the maintenance shop will be paid for by the District. Upon termination of the lease, any improvements, upon written request of the Association can be removed by the District.

**Land Leases**

During 1993, the District entered into an agreement to lease a tract of land from the Jefferson County School District No. R-1 (School District). The initial term of the lease was one year with an annual lease fee of \$1,000 and the option to renew annually. The lease was amended in 1996 to include a second tract of land. The District is responsible for the maintenance of the land and has constructed recreational fields and equipment on one of the tracts. The School District may cancel the lease upon six months notice if the School District intends to build a school on the site or sell it. The District's obligations with respect to this land have been limited by an Agreement between the District and the North Ranch Homeowners Association. If so canceled, the School District will reimburse the District for a pro rata share of construction costs incurred, based on the remaining useful life of the facilities constructed.

**Other Leases**

The District has entered into other lease agreements in which the District assumes responsibility for the total management and maintenance of designated open space land. These include the following properties:

- a) 119 acres of open space land known as Parcel A owned by Jefferson County and lease by the District for 25 years beginning October 1994, for \$1 per year.
- b) 57 acres of open space land known as the Bethel College site owned by Jefferson County and leased by the District for 25 years beginning in May 1992, for \$1 per year.

**NOTE 6 – RELATED PARTY TRANSACTIONS**

**Operations Agreement with Ken-Caryl Ranch Master Association**

Effective January 1, 1989, the District entered into a long-term Reorganization Agreement (Agreement) with the Association to assume responsibility for the operation of certain recreational programs, the operation and maintenance of parks/recreation facilities, and the maintenance of parks, open space and landscaping on behalf of the Association. The Agreement provides the District with a license to occupy and use Association property and

**KEN-CARYL RANCH METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

facilities in order to perform these functions; however, title to the property and facilities remains with the Association. The District is responsible for all costs of operations and maintenance. The Agreement automatically renews annually unless terminated by either entity with at least 120 days notice prior to the end of any calendar year; provided however, the Association can only give notice if the District fails to perform its obligations under the Agreement. During 2014 the District and the Association entered into the First Amendment to Reorganization Agreement modifying several sections of the original Agreement.

**Shared Expenditures with Ken-Caryl Ranch Master Association**

The District and Association incur expenditures on behalf of each other for administrative services, office supplies and open space management. The expenditures are reimbursed on a monthly basis. On January 1, 2001, the District and Association entered into a Cooperative Agreement for Open Space which included Open Space Management, Open Space Education Programs and Lease Purchase of Open Space Equipment. During 2017, the Association reimbursed the District \$174,004 under the agreement. Additionally during 2017, the Association reimbursed the District \$1,713 for snow removal, contributed \$100,000 toward the irrigation costs incurred by the District, and \$263,761 toward the bond capital project costs incurred by the District.

**Ken-Caryl Ranch Foundation**

The Ken-Caryl Ranch Foundation (Foundation) is a Colorado non-profit corporation. Although its original articles of incorporation set forth a detailed list of the activities it was organized to perform, the IRS required the Foundation incorporators to remove this detailed list of purposes as a condition to granting the Foundation tax-exempt status. Accordingly, at this time, the Foundation is limited to the purposes permitted a tax-exempt non-profit corporation and those activities coming within the scope of the Colorado non-profit corporations act.

On February 4, 2003, the Foundation conveyed the Dakota Hogback open space to the District in exchange for open space owned by the District. The open space exchange provides the District with more contiguous, usable open space for the use and enjoyment of its citizens.

**NOTE 7 - FUND EQUITY**

At December 31, 2017, the District reported the following classifications of fund equity.

**Nonspendable Fund Balance**

The nonspendable fund balance in the General Fund in the amount of \$84,820 is comprised of prepaid amounts which are not in spendable form.

**Restricted Fund Balance**

The restricted fund balance in the General Fund in the amount of \$126,884 is comprised of the Emergency Reserves that have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado (see Note 12).

The restricted fund balance in the Conservation Trust and Grant Fund in the amount of \$151,853 represents amounts restricted for parks and recreation capital and certain operating uses.

**KEN-CARYL RANCH METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

The restricted fund balance in the Community Garden Fund in the amount of \$4,073 represents unspent contributions and garden fees that are restricted to the operations of the community garden.

The restricted fund balance in the Community Garden Fund the amount of \$13,000 is restricted by agreement to be used for the primary purpose of restoring the area where the community garden was constructed to the conditions existing prior to the construction of the community garden. Additionally, if there are no other funds in the Community Garden Fund, the funds may also be used for the repair of damage or vandalism to, or maintenance or repair of the community garden and/or premises.

The restricted fund balance in the Veterans Monument Fund in the amount of \$7,693 is restricted by contributors to be used for the construction and operation of the Veterans Monument.

The restricted fund balance in the Debt Service Fund of \$130,603 is to be used for the payment of debt service on the District's General Obligation Bonds, Series 2014.

The restricted fund balance in the PMD Settlement Capital Projects Fund of \$934,405 is to be used for capital additions and improvements in accordance with the settlement agreement.

**NOTE 8 - NET POSITION**

The District has net position consisting of three components – net investment in capital assets, restricted, and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2017, the District had invested in capital assets of \$4,237,259.

Restricted net position includes amounts 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:

Restricted for:	
Emergencies (see Note 12)	\$ 126,884
Parks and recreation	151,853
Community garden	4,073
Community garden reserve account	13,000
Veterans monument	7,693
Debt service	124,091
Capital additions and improvements	934,405
	<u>\$ 1,361,999</u>

**KEN-CARYL RANCH METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 9 – PENSION PLANS**

**Deferred Compensation Plan**

The District has two deferred compensation plans created in accordance with Internal Revenue Code Section 457. The plans are administered by the ICMA Retirement Corporation. The plans allow the employees to defer a portion of their salary until future years.

One plan (PTS) is for part-time and seasonal employees. Beginning January 1, 1999, all part-time employees of the District began contributing 6.2% of compensation to the Section 457 Deferred Compensation Plan in lieu of Social Security contributions. Under this plan, 6.2% of the employee's compensation is withheld and remitted to the plan administrator along with a matching payment of 6.2% from the District. The District and employees made the required contributions for 2017 of \$63,875 and \$63,875, respectively. At December 31, 2017, \$10,627 of contributions were due to the pension plan and included in the required contribution amounts for 2017.

The second plan (District Plan) is for full time employees and part-time employees who have completed one year of service and elect to participate in the plan. The full time employees may make elective contributions to the plan, which are not matched by the District. Part-time employees in this plan and the District are required to contribute in the same percentages as the PTS plan. 6.2% of the employee's compensation is withheld and remitted to the plan administrator along with a matching payment of 6.2% from the District. The District and employees made required contributions for 2017 of \$14,101 and \$14,101, respectively. The employees made elective contributions of and \$88,443, respectively. At December 31, 2017, \$14,246 of contributions were due to the pension plan and included in the required contribution amounts for 2017.

Effective January 1, 1997, the District amended the plan to require all amounts deferred to be held in trust for the exclusive benefit of the participating employees and not be accessible by the District or its creditors.

**Defined Contribution Plan**

The salaried employees of the District began participating in a defined contribution plan, maintained and administered by ICMA Retirement Corporation, on October 20, 1993. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Beginning January 1, 1999, salaried employees began contributing a mandatory 10.0% of their earnings to this plan in lieu of contributions to Social Security. Participation for salaried employees is mandatory upon employment. Under this plan, 10.0% of the employee's compensation is withheld and remitted to the plan Administrator along with a matching payment of 10.0% from the District. The District's contributions, plus earnings, become vested at a rate of 25% for each year of employment and 100% after four years of employment. District contributions for employees who leave employment before four years of participation are used to reduce future period contributions of the District. There is no liability for benefits under the plan beyond the District's matching payments. Plan provisions and contribution requirements are established and may be amended by the District's Board of Directors. The District and employees made the required contributions for 2017 of \$146,509 (including forfeitures of \$4,361) and \$146,509, respectively. At December 31, 2017, \$33,595 of contributions were due to the pension plan and included in the required contribution amounts for 2017.

**KEN-CARYL RANCH METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 10 – RISK MANAGEMENT**

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

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2017. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for property, liability, public officials' liability, boiler and machinery and workers compensation coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

**NOTE 11 – COMMITMENTS AND CONTINGENCIES**

**Plains Metropolitan District Settlement**

The District was involved in litigation with the Plains Metropolitan District ("Plains") and ultimately prevailed. The District and Plains entered into a Court-approved Stipulated Supplemental Judgment. In accordance with the Stipulated Supplemental Judgment, Plains Metropolitan District must pay the District a total of \$3.5 million. During 2017 Plains paid \$1,048,000 to the District. The remaining amount must be paid pursuant to a payment schedule set forth in the Stipulated Supplemental Judgment. The payments are without interest if paid when due. The District required in the agreement that Plains will pay \$3.5 million be in the form of a Court-approved Stipulated Supplemental Judgment. A Stipulated Supplemental Judgment allows the District to enforce the payment agreement without having to file a new lawsuit.

**NOTE 12 - 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 May 7, 2002, the voters of the District approved the following TABOR ballot question:

**KEN-CARYL RANCH METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

“Shall the Ken-Caryl Ranch Metropolitan District be permitted to collect, retain and expend all revenue it receives in 2002 as a voter-approved revenue change an property tax revenue change under Article X, Section 20 of the Colorado constitution, and to exceed in 2002 the 5.5% property tax revenue growth limitation contained in Section 29-1-301, Colorado Revised Statutes and any other revenue limitation contained in the laws of the state for the purpose of: the design and renovation of median islands throughout the Ken-Caryl Ranch Metropolitan District?”

On May 6, 2008, the voters of the District approved the following TABOR ballot questions:

“Shall Ken-Caryl Ranch Metropolitan District taxes be increased \$489,385 (first full fiscal year dollar increase) annually, to be levied in year 2008 for collection in the calendar year 2009, and by such additional amounts raised annually thereafter, by increasing its existing property tax by 2.5 mills to be used by the District for capital improvements, maintenance and general administrative/operational purposes?”

“Shall the Ken-Caryl Ranch Metropolitan District be authorized to collect, retain an spend all money collected from property taxes and all other revenue sources, effective January 1, 2008 and every year thereafter, for capital improvements, maintenance and general administrative/operational purposes as a voter approved exception to the revenue and spending limits of Article X, Section 20 of the Colorado constitution, the 5.5% property tax limitation of Section 29-1-301, Colorado Revised Statutes, and the revenue and spending limits of any other state law?”

On May 6, 2014, the voters of the District approved the following TABOR ballot question:

“Shall Ken-Caryl Ranch Metropolitan District (the “District”) debt be increased \$7,900,000, with a repayment cost of \$9,700,000 or by such lesser amount as may be necessary, and shall the District’s taxes be increased \$970,000 annually or by such lesser amount as may be necessary for the payment of such debt and any refundings thereof, such debt to be general obligation bonds or other obligations of the District, including contracts or leases (the “Bonds”), all the purpose of designing, improving, constructing, relocating, installing, completing, and other providing improvements to community parks and recreation amenities and facilities within the District’s boundaries.”

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.

**NOTE 13 –SHORT TERM FINANCING**

On January 17, 2017, the District entered into a Promissory Note with the Ken-Caryl Ranch Master Association (Association) whereby the Association agreed to advance \$85,000 to the District on or before March 1, 2017 to assist in the construction of two new post-tension tennis courts at the Community Center. The District agreed to pay the Association the same interest rate that the Association would receive if the funds were invested in certificates of deposit with a three year or shorter term. If the Association has no short term certificates of deposit, then the interest rate shall be 1.5%. The District agreed to repay the Association the principal and interest no later than December 31, 2018.

**KEN-CARYL RANCH METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

In March 2017 the District drew \$85,000 on the Promissory Note. The District repaid the \$85,000 and accrued interest of \$126 on May 23, 2017.

**NOTE 14 – INTERFUND TRANSFERS**

During 2017 the General Fund transferred \$45,936 to the Bond Projects Capital Fund to assist with funding shortfalls related to the capital improvements that were primarily funded from the 2014 bond proceeds. Also during 2017, the Bond Projects Capital Fund transferred \$155,841 back to the Capital Reserve Fund, repaying amounts that the Capital Reserve Fund transferred to the Bond Projects Capital Fund during 2016. Additionally during 2017, the Capital Reserve Fund transferred remaining funds available in the amount of \$430,483 to the General Fund to assist with the payment of 2017 operational costs. These Capital Reserve Fund amounts had accumulated from transfers from the General Fund in prior years.

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

## **SUPPLEMENTAL INFORMATION**

**KEN-CARYL RANCH METROPOLITAN DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
DEBT SERVICE FUND  
Year Ended December 31, 2017  
(With Comparative Actual Amounts for 2016)**

	<u>2017</u>		<b>Variance with Final Budget - Positive (Negative)</b>	<u>2016</u>
	<b>Original and Final Adopted Budget</b>	<b>Actual</b>		<b>Actual</b>
<b>REVENUES</b>				
Property taxes	\$ 970,553	\$ 972,162	\$ 1,609	\$ 970,283
Total Revenues	<u>970,553</u>	<u>972,162</u>	<u>1,609</u>	<u>970,283</u>
<b>EXPENDITURES</b>				
Treasurer fees	14,559	14,882	(323)	14,555
Bond principal	750,000	750,000	-	735,000
Bond interest	163,650	163,650	-	178,350
Contingency	42,344	-	42,344	-
Total Expenditures	<u>970,553</u>	<u>928,532</u>	<u>42,021</u>	<u>927,905</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	43,630	43,630	42,378
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>87,239</u>	<u>86,973</u>	<u>(266)</u>	<u>44,595</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 87,239</u>	<u>\$ 130,603</u>	<u>\$ 43,364</u>	<u>\$ 86,973</u>

**KEN-CARYL RANCH METROPOLITAN DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
CAPITAL RESERVE FUND  
Year Ended December 31, 2017  
(With Comparative Actual Amounts for 2016)**

	2017			Variance with Final Budget - Positive (Negative)	2016
	Original Adopted Budget	Final Adopted Budget	Actual		Actual
<b>REVENUES</b>					
Total Revenues	\$ -	\$ -	\$ -	\$ -	\$ -
<b>EXPENDITURES</b>					
Capital outlay	-	-	-	-	20,238
Total Expenditures	-	-	-	-	20,238
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	-	-	-	-	(20,238)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	150,000	155,841	155,841	-	190,000
Transfers (out)	(150,000)	(430,483)	(430,483)	-	(155,841)
Total other financing sources (uses)	-	(274,642)	(274,642)	-	34,159
<b>NET CHANGE IN FUND BALANCE</b>	-	(274,642)	(274,642)	-	13,921
<b>FUND BALANCE - BEGINNING OF YEAR</b>	430,483	274,642	274,642	-	260,721
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 430,483</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 274,642</u>

**KEN-CARYL RANCH METROPOLITAN DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
BOND PROJECTS CAPITAL FUND  
Year Ended December 31, 2017  
(With Comparative Actual Amounts for 2016)**

	<u>2017</u>			Variance with Final Budget - Positive (Negative)	<u>2016</u>
	Original Adopted Budget	Final Adopted Budget	Actual		Actual
<b>REVENUES</b>					
Net investment income	\$ 2,000	\$ 128	\$ 128	\$ -	\$ 7,662
Contributions	-	263,761	263,761	-	382,426
Total Revenues	<u>2,000</u>	<u>263,889</u>	<u>263,889</u>	<u>-</u>	<u>390,088</u>
<b>EXPENDITURES</b>					
Capital outlay	2,000	153,984	153,984	-	6,638,719
Total Expenditures	<u>2,000</u>	<u>153,984</u>	<u>153,984</u>	<u>-</u>	<u>6,638,719</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>-</u>	<u>109,905</u>	<u>109,905</u>	<u>-</u>	<u>(6,248,631)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	45,936	45,936	-	155,841
Transfers (out)	-	(155,841)	(155,841)	-	-
Total other financing sources (uses)	<u>-</u>	<u>(109,905)</u>	<u>(109,905)</u>	<u>-</u>	<u>155,841</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	-	-	-	(6,092,790)
<b>FUND BALANCE - BEGINNING OF YEAR</b>	533,529	-	-	-	6,092,790
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 533,529</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**KEN-CARYL RANCH METROPOLITAN DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
PMD SETTLEMENT CAPITAL PROJECTS FUND  
Year Ended December 31, 2017**

	<b>2017</b>			<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original Adopted Budget</b>	<b>Final Adopted Budget</b>	<b>Actual</b>	
<b>REVENUES</b>				
Legal settlement proceeds	\$ -	\$ 1,048,000	\$ 1,048,000	\$ -
Net investment income	-	6,249	6,249	-
<b>Total Revenues</b>	<b>-</b>	<b>1,054,249</b>	<b>1,054,249</b>	<b>-</b>
<b>EXPENDITURES</b>				
Capital outlay	-	119,844	119,844	-
<b>Total Expenditures</b>	<b>-</b>	<b>119,844</b>	<b>119,844</b>	<b>-</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>-</b>	<b>934,405</b>	<b>934,405</b>	<b>-</b>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	-	-	-	-
<b>Total other financing sources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>934,405</b>	<b>934,405</b>	<b>-</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ -</b>	<b>\$ 934,405</b>	<b>\$ 934,405</b>	<b>\$ -</b>

## **OTHER INFORMATION**

**KEN-CARYL RANCH 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		Property Taxes		Percentage Collected to Levied
		Operations	Debt Service	Levied	Collected	
1994	\$ 97,678,070	14.950	0.000	\$ 1,460,287	\$ 1,458,485	99.9%
1995	\$ 99,959,430	14.950	0.000	\$ 1,494,393	\$ 1,489,631	99.7%
1996	\$ 105,177,210	14.950	0.000	\$ 1,572,399	\$ 1,562,599	99.4%
1997	\$ 107,624,860	14.950	0.000	\$ 1,608,992	\$ 1,597,157	99.3%
1998	\$ 112,701,760	14.950	0.000	\$ 1,684,891	\$ 1,655,886	98.3%
1999	\$ 111,458,530	14.950	0.000	\$ 1,666,305	\$ 1,663,473	99.8%
2000	\$ 121,478,580	14.950	0.000	\$ 1,816,105	\$ 1,811,055	99.7%
2001	\$ 121,881,950	14.420	0.000	\$ 1,757,538	\$ 1,759,045	100.1%
2002	\$ 148,012,010	14.420	0.000	\$ 2,134,333	\$ 2,179,870	102.1%
2003	\$ 147,078,030	14.950	0.000	\$ 2,198,817	\$ 2,153,742	98.0%
2004	\$ 147,806,287	13.360	0.000	\$ 1,974,692	\$ 1,972,930	99.9%
2005	\$ 146,490,300	14.420	0.000	\$ 2,112,390	\$ 2,105,363	99.7%
2006	\$ 154,445,800	14.420	0.000	\$ 2,227,108	\$ 2,220,206	99.7%
2007	\$ 155,245,130	14.170	0.000	\$ 2,199,823	\$ 2,210,448	100.5%
2008	\$ 186,432,440	12.710	0.000	\$ 2,369,556	\$ 2,351,652	99.2%
2009	\$ 181,810,400	15.339	0.000	\$ 2,788,789	\$ 2,785,023	99.9%
2010	\$ 182,926,380	15.228	0.000	\$ 2,785,603	\$ 2,784,186	99.9%
2011	\$ 189,705,940	15.240	0.000	\$ 2,891,119	\$ 2,887,763	99.9%
2012	\$ 174,144,901	15.242	0.000	\$ 2,654,317	\$ 2,650,780	99.9%
2013	\$ 159,481,779	15.239	0.000	\$ 2,430,343	\$ 2,431,992	100.1%
2014	\$ 157,215,944	15.227	0.000	\$ 2,393,927	\$ 2,394,032	100.0%
2015	\$ 157,047,445	15.217	6.180	\$ 3,360,344	\$ 3,362,235	100.1%
2016	\$ 178,471,735	15.214	5.440	\$ 3,686,155	\$ 3,683,444	99.9%
2017	\$ 177,947,187	15.225	5.460	\$ 3,680,838	\$ 3,683,005	100.1%
Estimated for year ending December 31, 2018	\$ 191,319,473	15.225	5.460	\$ 3,957,443		

**NOTE:** Property taxes collected in any one year include collection of delinquent property taxes levied in prior years. Information received from the County Treasurer does not permit identification of specific year of levy.

**KEN-CARYL RANCH METROPOLITAN DISTRICT  
TOP TAXPAYERS WITHIN THE DISTRICT  
December 31, 2017**

<u>Name/Business</u>	<u>Assessed Valuation for 2018 Taxes Levied</u>	<u>% of 2018 Total District Assessed Valuation</u>
LMC Properties Inc	\$ 17,064,781	8.92%
Johns Manville	8,862,707	4.63%
Marketplace At Ken Caryl Ltd Liability Co	1,957,546	1.02%
Public Storage Euro Partnership Vi Ltd	1,278,729	0.67%
Public Service Co Of Colorado	1,219,733	0.64%
Pavlovsky LLC	1,032,458	0.54%
Continental Divide LLC	944,820	0.49%
Kipling Investment Group LLC	841,493	0.44%
Alma D Gianolini Grandchildrens Trust	834,040	0.44%
Halax LLC	724,217	0.38%
Emery Real Estate Holding Company LLC	714,850	0.37%
Glory Crest Alpha Limited	702,699	0.37%
Bizu Ltd L L C	696,000	0.36%
10639 Bradford LLC	660,129	0.35%
Johnson Controls Inc	557,872	0.29%
Realty Income Corporation	554,843	0.29%
Kdd Co LLC	501,497	0.26%
280 290 Columbine LLC	493,000	0.26%
Snh Atl Leased Properties Trust	464,321	0.24%
Sbx Boise Vista Ave LLC	456,047	0.24%
Mines Real Estate Investments LLC	416,469	0.22%
	<u>\$ 40,978,251</u>	<u>21.42%</u>

Source: Jefferson County Assessor's Office

**KEN-CARYL RANCH METROPOLITAN DISTRICT  
 ASSESSED VALUATION OF CLASSES OF  
 PROPERTY IN THE DISTRICT  
 December 31, 2017**

<u>Property Class</u>	<u>Assessed Valuation for 2018 Taxes Levied</u>	<u>% of Total Assessed Valuation</u>
Residential	\$ 144,664,206	75.61%
Commercial/Industrial	43,364,838	22.67%
State Assessed (Public Utilities)	1,843,999	0.96%
Vacant Land	1,446,430	0.76%
Total	<u>\$ 191,319,473</u>	<u>100.00%</u>

Source: Jefferson County Assessor's Office