

**LEYDEN ROCK METROPOLITAN DISTRICT NO. 10
(n/k/a "LEYDEN ROCK METROPOLITAN DISTRICT")
Jefferson County, Colorado**

**FINANCIAL STATEMENTS
December 31, 2017**

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July 20, 2018

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Dazzio & Associates, PC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Leyden Rock Metropolitan District No. 10
Jefferson County, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of the Leyden Rock Metropolitan District No. 10 as of and for the year December 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Leyden Rock Metropolitan District No. 10, as of December 31, 2017, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Leyden Rock Metropolitan District No. 10's basic financial statements. The budget to actual schedules for the debt service and capital projects funds (the Supplementary Information) and the schedule of debt service requirements to maturity and the schedule of assessed valuation, mill levy and property taxes collected (the Other Information) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Dussio & Associates, P.C.

July 17, 2018

BASIC FINANCIAL STATEMENTS

LEYDEN ROCK METROPOLITAN DISTRICT NO. 10
STATEMENT OF NET POSITION
Year ended December 31, 2017

	Governmental Activities
ASSETS	
Cash and investments	\$ 689,958
Cash and investments - Restricted	4,417,074
Property taxes receivable	2,961,400
Receivable from County Treasurer	13,711
Accounts receivable	3,852
Capital assets, net of accumulated depreciation	4,126,200
Total assets	12,212,195
LIABILITIES	
Accounts payable	95,014
Accrued bond interest payable	144,430
Noncurrent liabilities	
Due in more than one year	54,209,726
Total liabilities	54,449,170
DEFERRED INFLOWS OF RESOURCES	
Property tax revenue	2,961,400
Total deferred inflows of resources	2,961,400
NET POSITION	
Net investment in capital assets	(213,215)
Restricted for:	
Emergency reserves	32,930
Debt service	1,398,529
Unrestricted	(46,416,619)
Total net position	\$ (45,198,375)

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

LEYDEN ROCK METROPOLITAN DISTRICT NO. 10
STATEMENT OF ACTIVITIES
Year ended December 31, 2017

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		<u>Governmental Activities</u>
Primary government:					
Government activities:					
General government	\$ 993,947	\$ 613,485	\$ -	\$ -	\$ (380,462)
Dedication of assets to other entities	40,929,171	-	-	-	(40,929,171)
Interest and related costs on long-term debt	3,476,943	-	-	3,431,224	(45,719)
	<u>\$ 45,400,061</u>	<u>\$ 613,485</u>	<u>\$ -</u>	<u>\$ 3,431,224</u>	<u>(41,355,352)</u>
General revenues:					
Property taxes					1,846,181
Specific ownership taxes					181,644
Net investment income					43,226
Other revenue					516
Total general revenues					<u>2,071,567</u>
Change in net position					(39,283,785)
Net position - Beginning					(5,914,590)
Net position - Ending					<u>\$ (45,198,375)</u>

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

LEYDEN ROCK METROPOLITAN DISTRICT NO. 10
BALANCE SHEET
GOVERNMENTAL FUNDS
Year ended December 31, 2017

	General	Debt Service	Capital Projects	Total Governmental Funds
ASSETS				
Cash and investments	\$ 689,958	\$ -	\$ -	\$ 689,958
Cash and investments - Restricted	32,930	4,355,681	28,463	4,417,074
Property taxes receivable	780,240	2,181,160	-	2,961,400
Receivable from County Treasurer	3,264	10,447	-	13,711
Due from other funds	14,400	-	-	14,400
Accounts receivable	3,852	-	-	3,852
TOTAL ASSETS	\$ 1,524,644	\$ 6,547,288	\$ 28,463	\$ 8,100,395
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 85,594	\$ -	\$ 9,420	\$ 95,014
Due to other funds	-	-	14,400	14,400
Total liabilities	85,594	-	23,820	109,414
DEFERRED INFLOWS OF RESOURCES				
Property tax revenue	780,240	2,181,160	-	2,961,400
Total deferred inflows of resources	780,240	2,181,160	-	2,961,400
FUND BALANCES				
Restricted for:				
Emergency reserves	32,930	-	-	32,930
Debt Service	-	4,366,128	-	4,366,128
Capital Projects	-	-	4,643	4,643
Committed, operations fees	167,480			167,480
Assigned for subsequent year	38,320	-	-	38,320
Unassigned	420,080	-	-	420,080
Total fund balances	658,810	4,366,128	4,643	5,029,581
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,524,644	\$ 6,547,288	\$ 28,463	
Amounts reported for governmental activities in the statement of net position are different because:				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the funds.				
Capital assets net of accumulated depreciation				4,126,200
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not recorded as liabilities in the funds.				
Bonds payable				(46,041,000)
Bond premium				(587,312)
Accrued interest on bonds payable				(752,027)
Developer advance payable				(6,142,587)
Accrued interest on developer advance payable				(831,230)
Net position of governmental activities				\$ (45,198,375)

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

LEYDEN ROCK METROPOLITAN DISTRICT NO. 10
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
Year ended December 31, 2017

	<u>General Fund</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
REVENUES				
Property taxes	\$ 439,567	\$ 1,406,614	\$ -	\$ 1,846,181
Specific ownership taxes	43,243	138,401	-	181,644
Operations fee	613,485	-	-	613,485
Other revenue	516	-	-	516
Net investment income	869	42,338	19	43,226
Total revenues	<u>1,097,680</u>	<u>1,587,353</u>	<u>19</u>	<u>2,685,052</u>
EXPENDITURES				
Current				
County Treasurer's fees	6,596	21,108	-	27,704
Miscellaneous	509	-	-	509
General and administration				
Accounting	63,982	-	-	63,982
Audit	13,900	-	-	13,900
Dissolution of Districts	13,227	-	-	13,227
Facilities management	72,337	-	-	72,337
Facilities management - transfer fee	62,585	-	-	62,585
Insurance	26,954	-	-	26,954
Legal	102,223	-	-	102,223
Postage, printing, copies	4,125	-	-	4,125
Tract conveyance	3,600	-	-	3,600
Landscape maintenance				
Irrigation repairs	8,735	-	-	8,735
Landscape maintenance contract	95,533	-	-	95,533
Open space clean-up/native weed control	153,340	-	-	153,340
Snow removal	4,094	-	-	4,094
Sod repair	490	-	-	490
Utilities				
Gas and electric	16,930	-	-	16,930
Telephone/WiFi/Cable	683	-	-	683
Trash removal	134,136	-	-	134,136
Water and sewer	24,786	-	-	24,786
Clubhouse maintenance				
Housekeeping	10,020	-	-	10,020
Maintenance and supplies	8,301	-	-	8,301
Social activities	62,193	-	-	62,193
Pool maintenance				
Chemicals	8,885	-	-	8,885
Contract pool maintenance	5,617	-	-	5,617
Repairs and maintenance	553	-	-	553
Debt Service				
Bond interest - Series 2016A	-	1,733,228	-	1,733,228
Paying agent/ trustee fees	-	6,000	-	6,000
Bond issuance costs	-	-	321,915	321,915
Total expenditures	<u>904,334</u>	<u>1,760,336</u>	<u>321,915</u>	<u>2,986,585</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>193,346</u>	<u>(172,983)</u>	<u>(321,896)</u>	<u>(301,533)</u>
OTHER FINANCING SOURCES (USES)				
Bond issuance	-	-	4,101,000	4,101,000
Repay 2016C Bonds	-	-	(3,776,505)	(3,776,505)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>324,495</u>	<u>324,495</u>
NET CHANGE IN FUND BALANCES	193,346	(172,983)	2,599	22,962
FUND BALANCES - BEGINNING OF YEAR	<u>465,464</u>	<u>4,539,111</u>	<u>2,044</u>	<u>5,006,619</u>
FUND BALANCES - END OF YEAR	<u>\$ 658,810</u>	<u>\$ 4,366,128</u>	<u>\$ 4,643</u>	<u>\$ 5,029,581</u>

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

**LEYDEN ROCK METROPOLITAN DISTRICT NO. 10
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year ended December 31, 2017**

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

Net change in fund balances - Total governmental funds	\$	22,962
<p>Governmental funds report capital outlays as expenditures. In the statement of activities, capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense the allocation of the cost of any depreciable asset over the estimated useful life of the asset.</p>		
Conveyance of assets to other entities		(40,929,171)
Depreciation		(89,613)
<p>The issuance of long-term debt (e.g. bond issuance, developer advance) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
Bond issuance		(4,101,000)
Repay 2016C Bonds		3,776,505
Forgiveness of amounts related to 2016C Bonds		3,431,224
<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>		
Accrued interest on Bonds - change in liability		(931,633)
Amortization of bond premium		28,348
Accrued interest on Developer advance - change in liability		(491,407)
		(931,633)
Changes in net position of governmental activities	\$	(39,283,785)

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

LEYDEN ROCK METROPOLITAN DISTRICT NO. 10
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
Year ended December 31, 2017

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Property taxes	\$ 442,680	\$ 439,567	\$ (3,113)
Specific ownership taxes	35,400	43,243	7,843
Other revenue	-	516	516
Operations fee	514,440	613,485	99,045
Net investment income	25	869	844
Total revenues	<u>992,545</u>	<u>1,097,680</u>	<u>105,135</u>
EXPENDITURES			
General and administration			
Accounting	50,000	63,982	(13,982)
Administration costs	4,000	-	4,000
Audit	25,000	13,900	11,100
Contingency	4,733	-	4,733
County Treasurer's fees	6,640	6,596	44
Dissolution of Districts	10,000	13,227	(3,227)
Engineering	10,000	-	10,000
Facilities management	82,236	72,337	9,899
Facilities management - transfer fee	37,000	62,585	(25,585)
Insurance	33,000	26,954	6,046
Legal	80,000	102,223	(22,223)
Maintenance of District assets	4,000	-	4,000
Miscellaneous	1,000	509	491
Postage, printing, copies	4,917	4,125	792
Tract conveyance	800	3,600	(2,800)
Landscape maintenance			
Capital Outlay	10,000	-	10,000
Irrigation repairs	21,000	8,735	12,265
Landscape maintenance contract	295,990	95,533	200,457
Landscape replacement	3,000	-	3,000
Lighting	4,000	-	4,000
Open space clean-up/native weed control	141,800	153,340	(11,540)
Snow removal	14,500	4,094	10,406
Sod repair	1,000	490	510
Utilities			
Gas and electric	22,100	16,930	5,170
Telephone/WiFi/Cable	1,100	683	417
Trash removal	121,004	134,136	(13,132)
Water and sewer	68,460	24,786	43,674
Clubhouse maintenance			
Housekeeping	9,600	10,020	(420)
Improvements and repairs	2,000	-	2,000
Keys and locks	1,200	-	1,200
Maintenance and supplies	3,800	8,301	(4,501)
Social activities	74,980	62,193	12,787
Pool maintenance			
Chemicals	6,740	8,885	(2,145)
Contract pool maintenance	11,500	5,617	5,883
Repairs and maintenance	1,800	553	1,247
Supplies	2,000	-	2,000
Total expenditures	<u>1,170,900</u>	<u>904,334</u>	<u>266,566</u>
NET CHANGE IN FUND BALANCES	(178,355)	193,346	371,701
FUND BALANCES - BEGINNING OF YEAR	<u>562,900</u>	<u>465,464</u>	<u>(97,436)</u>
FUND BALANCES - END OF YEAR	<u>\$ 384,545</u>	<u>\$ 658,810</u>	<u>\$ 274,265</u>

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

LEYDEN ROCK METROPOLITAN DISTRICT NO. 10
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 1 - DEFINITION OF REPORTING ENTITY

Leyden Rock Metropolitan District No. 10 (n/k/a “Leyden Rock Metropolitan District”) (District), a quasi-municipal corporation and political subdivision of the State of Colorado, was organized by order and decree of the District Court for the County of Jefferson on January 5, 2012, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District operates under a Service Plan approved by the City of Arvada on August 22, 2011.

The District was established to provide financing for the operations and maintenance and design, acquisition, installation, construction and completion of public improvements and services, including water, sanitation, street, safety protection, park and recreation, transportation, limited fire protection, security, television relay and translation and mosquito control improvements and services. The District was organized in conjunction with nine other related districts - Leyden Rock Metropolitan District Nos. 1, 2, 3, 4, 5, 6, 7, 8, and 9 (“District Nos. 1-9”). On November 13, 2017, pursuant to an order of the District Court for the County of Jefferson, District Nos. 1-9 were dissolved. Since January 1, 2017, the District has provided covenant enforcement services and, as the only metropolitan district, provides both service and financing for the Leyden Rock development.

The District is not authorized to plan for, design, acquire, construct, install, relocate, redevelop, finance, operate or maintain fire protection facilities or services, unless such facilities and services are provided pursuant to an intergovernmental agreement with the City. The Districts are not authorized to plan for, design acquire, construct, install, relocate, redevelop, finance, operate or maintain television relay and translation facilities and services, other than for the installation of conduit as part of a street construction project, unless such facilities and services are provided pursuant to an intergovernmental agreement with the City.

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations, and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens, and fiscal dependency.

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

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

LEYDEN ROCK METROPOLITAN DISTRICT NO. 10
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Government-wide and Fund Financial Statements

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

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

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and; 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Expenditures for property and equipment are shown as increases in assets and redemption of bonds 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, specific ownership taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. The District determined that Developer advances are not considered as revenue susceptible to accrual. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is due.

LEYDEN ROCK METROPOLITAN DISTRICT NO. 10
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The District reports the following major governmental fund:

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

The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term debt of the governmental funds.

The Capital Projects Fund is used to account for financial resources to be used for the acquisition and construction of capital equipment and facilities.

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 total appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

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

Pooled Cash and Investments

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a single bank account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash.

Property Taxes

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

LEYDEN ROCK METROPOLITAN DISTRICT NO. 10
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows of resources in the year they are levied and measurable. The property tax revenues are recorded as revenue in the year they are available or collected.

Capital Assets

Capital assets, which include property, equipment and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Capital assets which are anticipated to be conveyed to other governmental entities are recorded as construction in process, and are not included in the calculation of investment in capital assets component of the District's net position.

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

Buildings	20 years
Landscaping	20 years
Monumentation	20 years
Parks	20 years

Deferred Inflows of Resources

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Accordingly, the item, *deferred property tax revenue*, is deferred and recognized as an inflow of resources in the period that the amount becomes available.

Amortization of Bond Premium

In the government-wide financial statements, bond premiums are deferred and amortized over the life of the bonds using the effective interest method.

Equity

Net Position

For government-wide presentation purposes when both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

LEYDEN ROCK METROPOLITAN DISTRICT NO. 10
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund balance

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned, and unassigned. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

- *Nonspendable fund balance* – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.
- *Restricted fund balance* – The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.
- *Committed fund balance* – The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.
- *Assigned fund balance* – The portion of fund balance that is constrained by the government's intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.
- *Unassigned fund balance* – The residual portion of fund balance that does not meet any of the criteria described above.

If more than one classification of fund balance is available for use when an expenditure is incurred, it is the District's policy to use the most restrictive classification first.

LEYDEN ROCK METROPOLITAN DISTRICT NO. 10
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 3 - CASH AND INVESTMENTS

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

Statement of net position:

Cash and investments	\$ 689,598
Cash and investments – Restricted	<u>4,417,074</u>
	<u>\$ 5,107,032</u>

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

Deposits with financial institutions	\$ 737,181
Investments	<u>4,369,851</u>
	<u>\$ 5,107,032</u>

Deposits with Financial Institutions

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

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

At December 31, 2017, the District's cash deposits had a bank balance of \$752,151 and a carrying balance of \$737,181.

Investments

The District has not adopted a formal investment policy; however, the District follows State statutes regarding investments.

The District generally limits its concentration of investments to those noted with an asterisk (*) below, which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk or investment custodial risk disclosure requirements for investments that are in the possession of another party.

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements. Guaranteed investment contracts not purchased with bond proceeds, are limited to maturities of three years or less.

LEYDEN ROCK METROPOLITAN DISTRICT NO. 10
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

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

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

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

Investment	Maturity	Amount
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted average under 60 days	\$ <u>4,369,851</u>

CSAFE

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

LEYDEN ROCK METROPOLITAN DISTRICT NO. 10
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>Increases</u>	<u>Decreases</u>	<u>Balance at December 31, 2017</u>
Governmental Activities				
Capital assets, not being depreciated:				
Construction in progress/ not yet conveyed	\$ 45,144,984	\$ -	\$ 44,513,702	\$ 631,282
Total capital assets, not being depreciated	<u>45,144,984</u>	<u>-</u>	<u>44,513,702</u>	<u>631,282</u>
Capital assets, being depreciated:				
Buildings	-	1,338,401	-	1,338,401
Landscaping	-	1,656,580	-	1,656,580
Monuments, Signage, and Other	-	461,160	-	461,160
Parks and Recreation	-	128,390	-	128,390
Total capital assets, being depreciated	<u>-</u>	<u>3,584,531</u>	<u>-</u>	<u>3,584,531</u>
Less accumulated depreciation for:				
Buildings	-	(33,460)	-	(33,460)
Landscaping	-	(41,414)	-	(41,414)
Monuments, Signage, and Other	-	(11,529)	-	(11,529)
Parks and Recreation	-	(3,210)	-	(3,210)
Total accumulated depreciation	<u>-</u>	<u>(89,613)</u>	<u>-</u>	<u>(89,613)</u>
Total capital assets, being depreciated, net	<u>-</u>	<u>3,494,918</u>	<u>-</u>	<u>3,494,918</u>
Governmental activities capital assets, net	<u>\$ 45,144,984</u>	<u>\$ 3,494,918</u>	<u>\$ 44,513,702</u>	<u>\$ 4,126,200</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

General government	<u>\$ 89,613</u>
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LEYDEN ROCK METROPOLITAN DISTRICT NO. 10
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:

	Balance at December 31, 2016	Additions	Reductions	Balance at December 31, 2017	Due Within One Year
Governmental Activities:					
General obligation bonds payable:					
Series 2016A	\$ 36,355,000	\$ -	\$ -	\$ 36,355,000	\$ -
Series 2016B	5,585,000	-	-	5,585,000	-
Series 2016C	6,475,000	-	6,475,000	-	-
Series 2017C	-	4,101,000	-	4,101,000	-
Premium	615,660	-	28,348	587,312	-
Accrued interest on 2016B	169,838	417,226	-	587,064	-
Accrued interest on 2016C	238,855	493,874	732,729	-	-
Accrued interest on 2017C	-	20,533	-	20,533	-
Developer advance - Capital	5,523,862	-	-	5,523,862	-
Developer advance - Operations	618,725	-	-	618,725	-
Interest on Developer advances - Capital	208,679	441,909	-	650,588	-
Interest on Developer advances - Operations	131,144	49,498	-	180,642	-
Total long term liabilities	<u>\$ 55,921,763</u>	<u>\$ 5,524,040</u>	<u>\$ 7,236,077</u>	<u>\$ 54,209,726</u>	<u>\$ -</u>

The detail of the District's long-term obligation is as follows:

Series 2016A, 2016B and 2016C Bonds

The District issued its 2016A Senior Bonds and the 2016B Subordinate Bonds on July 14, 2016, in the amounts of \$36,355,000 and \$5,585,000, respectively. The proceeds from the sale of the 2016A Senior Bonds were used to: (i) pay the costs of refunding the District No. 5's 2013 Loan; (ii) finance a portion of the public improvements related to the Development; (iii) provide capitalized interest on the 2016A Senior Bonds; (iv) fund the Senior Reserve Fund; and (v) pay the costs of issuing the 2016A Senior Bonds. Proceeds of the 2016B Subordinate Bonds were used to: (i) finance a portion of the public improvements related to the Development; and (ii) pay the costs of issuing the 2016B Subordinate Bonds.

The District issued, simultaneous with the issuance of the 2016A and 2016B Bonds, its Junior Subordinate Limited Tax General Obligation Bonds, Series 2016C (Taxable), in the aggregate principal amount of \$6,475,000 with such obligations having a lien which is subordinate and junior to the lien of the 2016A Senior Bonds and 2016B Subordinate Bonds. The 2016C Bonds bear interest at 8.0%. On December 14, 2017, the District repaid and cancelled the 2016C Bonds along with outstanding and accrued interest with the issuance of the 2017C Junior Lien Bonds. Proceeds from the 2017C Junior Lien Bonds repaid \$3,776,505 of the 2016C Bonds and the remaining amount of \$3,431,224 was forgiven by RRCEA, LLC (the "Developer").

LEYDEN ROCK METROPOLITAN DISTRICT NO. 10
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

The 2016A Senior Bonds bear interest at 4.0%-5.0%, payable semi-annually on June 1 and December 1, beginning on December 1, 2016. Annual mandatory sinking fund principal payments are due on December 1, beginning on December 1, 2019. The 2016A Senior Bonds mature on December 1, 2045, and are subject to optional redemption on December 1, 2021, and on any date thereafter, upon payment of par and accrued interest and redemption premium, at the following price.

Redemption Date	Redemption Premium
December 1, 2021 through November 30, 2022	103%
December 1, 2022 through November 30, 2023	102%
December 1, 2023 through November 30, 2024	101%
December 1, 2024 and thereafter	100%

The 2016B Subordinate Bonds bear interest at the rate of 7.25% per annum and payable annually on December 15, but only to the extent of available Subordinate Pledged Revenue. The 2016B Subordinate Bonds are structured as cash flow bonds meaning that there are no scheduled payments of principal or interest. In the event any amounts due and owing on the 2016B Subordinate Bonds remain outstanding on December 15, 2054, such amounts shall be extinguished and no longer be due and outstanding. Unpaid interest on the 2016B Subordinate Bonds compounds annually on each December 15.

The 2016B Subordinate Bonds are subject to redemption prior to maturity, at the option of the District, on December 15, 2021, and on any date thereafter, upon payment of par and accrued interest and redemption premium, at the following price.

Redemption Date	Redemption Premium
December 15, 2021 through December 14, 2022	103%
December 15, 2022 through December 14, 2023	102%
December 15, 2023 through December 14, 2024	101%
December 15, 2024 and thereafter	100%

The 2016A Senior Bonds are secured by and payable solely from and to the extent of the Senior Pledged Revenue, which includes monies derived from the following, net of costs of collection: (i) the Senior Required Mill Levy; (ii) the portion of the Specific Ownership Tax which is collected as a result of the imposition of the Senior Required Mill Levy and (iii) any other legally available amounts that the District may designate held under the Senior Indenture.

The Senior Indenture provides that a Senior Required Mill Levy be imposed in an amount sufficient to pay the principal of, premium if any, and interest on the 2016A Senior Bonds, as they become due and payable, and replenish the Senior Reserve Fund to the Reserve Requirement amount of \$2,796,750, but not in excess of 40 mills (subject to adjustment for changes occurring after January 1, 2004, in the method of calculating assessed valuation), and for so long as the Surplus Fund is less than the Maximum Surplus Amount of \$3,635,500, not less than 40 mills (as adjusted). In the event the minimum mill levy would produce revenue in

LEYDEN ROCK METROPOLITAN DISTRICT NO. 10
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

excess of that required to repay all principal and interest on the 2016A Senior Bonds, then such minimum mill levy shall be reduced to a mill levy which will produce revenue sufficient to repay all principal and interest on the 2016A Senior Bonds. Upon reaching 50% Senior Debt to Assessed, the Senior Surplus Fund will be terminated and any moneys therein applied to any legal purpose of the District. The District has acknowledged that State Law places certain restrictions on the use of money derived from the Senior Required Mill Levy. As of December 31, 2017, the Senior Reserve Fund had a total of \$2,804,436.

The 2016B Subordinate Bonds are payable solely from and to the extent of the Subordinate Pledged Revenue, which includes monies derived from the following, net of costs of collection: (i) the Required Subordinate Mill Levy; (ii) the portion of the Specific Ownership Tax which is collected as a result of the imposition of the Required Subordinate Mill Levy; (iii) the Excess Senior Pledged Revenue; and (iv) any other legally available amounts that the District may designate held under the Subordinate Indenture.

The Subordinate Indenture defines the Required Subordinate Mill Levy as an ad valorem mill levy imposed upon all taxable property of the District in an amount equal to 40 mills (subject to adjustment) less the Senior Required Mill Levy. As a result, the Required Subordinate Mill Levy will be zero for any year in which the Senior Required Mill Levy equals 40 mills (as adjusted).

Excess Senior Pledged Revenue is defined as, generally, revenue available for payment of the 2016B Subordinate Bonds that is first pledged to the 2016A Senior Bonds.

Series 2017C Bonds

The District issued 2017C Junior Lien Bonds on December 14, 2017, in the amount of \$4,101,000. Proceeds from the sale of the 2017C Junior Lien Bonds were used to: (1) refund a portion of the District's 2016C Junior Lien Bonds; and (ii) pay the costs of issuing the 2017C Junior Lien Bonds. The portion of the 2016C Junior Lien Bonds not otherwise paid with the proceeds of the 2017C Junior Lien Bonds were cancelled by the Developer, as the holder of the 2016C Junior Lien Bonds, on the date of issuance of the 2017C Junior Lien Bonds.

The 2017C Junior Lien Bonds bear interest at the rate of 10.75% per annum, are payable annually on December 15, but only to the extent of available Junior Lien Pledged Revenue, if any, and mature on December 15, 2049. The 2017C Junior Lien Bonds are structured as cash flow bonds meaning that there are no scheduled payments of principal or interest prior to the final maturity date. Unpaid interest on the 2017C Junior Lien Bonds compounds annually on each December 15.

LEYDEN ROCK METROPOLITAN DISTRICT NO. 10
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

No payments are required or permitted to be made on the 2017C Junior Lien Bonds until the 2016B Subordinate Bonds and any parity Subordinate Bonds are paid in full and, thereafter, payments on the 2017C Junior Lien Bonds are permitted to be made annually from any Junior Lien Pledged Revenue that remains after all amounts required to be paid with respect to the 2016A Senior Bonds and any parity Senior Bonds have been made. In the event any amount of principal or interest on the 2017C Junior Lien Bonds remains unpaid after the application of all Junior Lien Pledged Revenue on December 15, 2049, the 2017C Junior Lien Bonds shall be extinguished and no longer be due and outstanding.

The 2017C Junior Lien Bonds are secured by and payable from Junior Lien Pledged Revenue, net of any costs of collection, which includes all Junior Lien Property Taxes, all Junior Lien Specific Ownership Taxes and any other legally available moneys which the District determines, in its absolute discretion, to credit to the Junior Lien Bond Fund.

The current debt service schedule is attached for the Series 2016A Bonds. Debt service schedules for the 2016B and 2017C Bonds are not provided as the Bonds are cash flow bonds and the timing of the payments are unknown.

The District's long-term obligations regarding the Series 2016A general obligation bonds will mature as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ -	\$ 1,733,156	\$ 1,733,156
2019	245,000	1,733,156	1,978,156
2020	445,000	1,723,356	2,168,356
2021	500,000	1,705,556	2,205,556
2022	565,000	1,685,556	2,250,556
2023-2027	3,460,000	8,055,149	11,515,149
2028-2032	4,935,000	7,190,532	12,125,532
2033-2037	6,805,000	5,908,125	12,713,125
2038-2042	9,425,000	3,966,250	13,391,250
2043-2045	9,975,000	1,151,750	11,126,750
	<u>\$ 36,355,000</u>	<u>\$ 34,852,586</u>	<u>\$ 71,207,586</u>

Authorized Debt

On November 1, 2011, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$80,000,000. During 2017, the residential assessment rate was changed from 7.96% to 7.2% and the debt service mill levy was adjusted to 44.222 mills.

LEYDEN ROCK METROPOLITAN DISTRICT NO. 10
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

At December 31, 2017, District has authorized but unissued indebtedness in the following amounts allocated for the following purposes:

	Amount Authorized November 1, 2011	Authorization Used - Series 2016A Bond	Authorization Used - Series 2016B Bond	Authorization Used - Series 2016C Bond	Authorization Used - Series 2017C Bond	Authorized But Unissued
Streets	\$ 80,000,000	\$ 13,254,667	\$ 2,036,235	\$ 2,360,720	\$ 1,495,184	\$ 60,853,194
Water	80,000,000	9,390,596	1,442,621	1,672,510	1,059,299	66,434,974
Sanitation	80,000,000	10,022,087	1,539,633	1,784,982	1,130,534	65,522,764
Parks and recreation	80,000,000	3,635,709	558,532	647,537	410,124	74,748,098
Public transportation	80,000,000	-	-	-	-	80,000,000
Television relay	80,000,000	-	-	-	-	80,000,000
Mosquito control	80,000,000	-	-	-	-	80,000,000
Security services	80,000,000	-	-	-	-	80,000,000
Traffic and safety	80,000,000	51,941	7,979	9,251	5,859	79,924,970
Fire protection	80,000,000	-	-	-	-	80,000,000
Operations and maintenance	80,000,000	-	-	-	-	80,000,000
Refundings	80,000,000	-	-	-	-	80,000,000
Intergovernmental Agreements	80,000,000	-	-	-	-	80,000,000
Contracts	80,000,000	-	-	-	-	80,000,000
	<u>\$ 1,120,000,000</u>	<u>\$ 36,355,000</u>	<u>\$ 5,585,000</u>	<u>\$ 6,475,000</u>	<u>\$ 4,101,000</u>	<u>\$ 1,067,484,000</u>

NOTE 6 - 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 net investment in capital assets calculated as follows:

	<u>Governmental Activities</u>
Capital assets, net	\$ 4,126,200
Less: capital related debt	
Noncurrent portion	(4,339,415)
Net investment in capital assets	<u>\$ (213,215)</u>

LEYDEN ROCK METROPOLITAN DISTRICT NO. 10
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 6 - NET POSITION (CONTINUED)

The District had a restricted net position as of December 31, 2017, as follows:

	Governmental Activities
Restricted net position:	
Emergencies reserve	\$ 32,930
Debt service	1,398,529
Total restricted net position	\$ 1,431,459

The District has a deficit in unrestricted net position. This amount was a result of the District being responsible for the financing and repayment of debt obligations and advances for the construction of public improvements.

NOTE 7 - AGREEMENTS

Funding and Reimbursement Agreement with RRCEA, LLC

On December 3, 2012, effective January 10, 2012, and an Addendum on July 28, 2015, District No. 1 and RRCEA, LLC (Developer) entered into a Funding and Reimbursement Agreement whereby which the District is an obligor. The Developer will fund the costs related to the Public Infrastructure and costs in the nature of general operating, administrative and maintenance costs, such as attorneys, engineers, architects, surveyors, district management, accounting, auditing and insurance. The Developer agrees to loan to District No. 1, on behalf of the Districts, one or more sums of money, not to exceed the aggregate of \$150,000 per annum for five years, up to \$750,000 through December 31, 2016. District No. 1 will accrue interest at a rate of 8% per annum from the date any such advance is made.

On July 14, 2016 the Agreement was Amended and Restated and so that all prior advances made to District No. 1 are assigned to the District. Any future advances will be requested and received by the District.

On December 31, 2017, the District's Developer advance liability totaled \$618,725 and accrued interest totaled \$180,642.

Funding and Reimbursement Agreement with Leyden Rock Development, Inc.

The District and Leyden Rock Development, Inc. (LRD) entered into an Infrastructure Acquisition and Reimbursement Agreement, dated as of January 1, 2017, to provide the circumstances under which the District would reimburse LRD for the construction of public improvements of benefit to the District. Such obligations bear simple interest at a rate of 8% per annum and are payable by the District from the proceeds of loans, bonds, and/or other legally available funds not otherwise required for reasonable operating costs of the District, and are subject to annual appropriation. Any Reimbursement Obligation issued under the Agreement is subordinate to any and all amounts due and owing to the Developer under the previously described reimbursement agreement with RRCEA, LLC and is subordinate to any amounts due and owing on the Bonds. As December 31, 2017, no advances are outstanding.

LEYDEN ROCK METROPOLITAN DISTRICT NO. 10
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 7 – AGREEMENTS (CONTINUED)

Infrastructure Acquisition and Reimbursement Agreement with RRCEA, LLC

On March 5, 2012, District No. 1 and the Developer entered into an Infrastructure Acquisition and Reimbursement Agreement whereby the District acknowledges its financial obligations. The Developer will construct certain Public Infrastructure improvements and will be reimbursed by the District for those improvements that are determined to be “District Eligible Costs.” The District will accept Public Infrastructure improvements and become obligated to reimburse the Developer for the District Eligible Costs upon satisfaction of certain terms and conditions of the Agreement. Upon acceptance of eligible costs by the District, interest will accrue at 8% per annum from the date of acceptance.

On July 14, 2016 the Agreement was Amended and Restated and the District assumes all responsibilities (e.g. operations, maintenance, repayment, etc.) of the accepted infrastructure. As of December 31, 2017, outstanding advances under the agreement totaled \$5,523,862 and accrued interest totaled \$650,588.

NOTE 8 - RELATED PARTIES

The Developers of the property which constitutes the District are RRCEA, LLC, RRCEA Two, LLC and Leyden Rock Development, Inc. The majority of the members of the Board of Directors are employees, owners, or otherwise associated with the Developer, and may have conflicts of interest in dealing with the District.

NOTE 9 - RISK MANAGEMENT

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

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

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

LEYDEN ROCK METROPOLITAN DISTRICT NO. 10
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 10 - TAX, SPENDING AND DEBT LIMITATIONS

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

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

On November 1, 2011, the District voters passed an election question to increase property taxes \$5,000,000 annually as adjusted for inflation, without limitation of rate, to pay the District's operations, maintenance and other expenses. Additionally, the District's electors authorized the District to collect, retain and spend all revenue without regard to any limitations under TABOR.

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

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

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

SUPPLEMENTARY INFORMATION

LEYDEN ROCK METROPOLITAN DISTRICT NO. 10
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
Year ended December 31, 2017

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Net investment income	\$ 24,000	\$ 42,338	\$ 18,338
Property taxes	1,416,575	1,406,614	(9,961)
Specific ownership taxes	113,300	138,401	25,101
Total revenues	<u>1,553,875</u>	<u>1,587,353</u>	<u>33,478</u>
EXPENDITURES			
Bond interest - Series 2016A	1,733,156	1,733,228	(72)
Paying agent / trustee fees	6,000	6,000	-
County Treasurer's fees	21,250	21,108	142
Contingency	9,594	-	9,594
Total expenditures	<u>1,770,000</u>	<u>1,760,336</u>	<u>9,664</u>
NET CHANGE IN FUND BALANCES	(216,125)	(172,983)	43,142
FUND BALANCES - BEGINNING OF YEAR	<u>4,496,697</u>	<u>4,539,111</u>	<u>42,414</u>
FUND BALANCES - END OF YEAR	<u>\$ 4,280,572</u>	<u>\$ 4,366,128</u>	<u>\$ 85,556</u>

**LEYDEN ROCK METROPOLITAN DISTRICT NO. 10
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
Year ended December 31, 2017**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Net investment income	\$ -	\$ -	\$ 19	\$ 19
Total revenues	<u>-</u>	<u>-</u>	<u>19</u>	<u>19</u>
EXPENDITURES				
Bond issue costs	-	188,500	321,915	(133,415)
Total expenditures	<u>-</u>	<u>188,500</u>	<u>321,915</u>	<u>(133,415)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES				
	<u>-</u>	<u>(188,500)</u>	<u>(321,896)</u>	<u>(133,396)</u>
OTHER FINANCING SOURCES (USES)				
Bond issuance	-	5,500,000	4,101,000	(1,399,000)
Repay 2016C Bonds	-	(5,311,500)	(3,776,505)	1,534,995
Total other financing sources (uses)	<u>-</u>	<u>188,500</u>	<u>324,495</u>	<u>135,995</u>
NET CHANGE IN FUND BALANCES				
	<u>-</u>	<u>-</u>	<u>2,599</u>	<u>2,599</u>
FUND BALANCES - BEGINNING OF YEAR				
	<u>-</u>	<u>-</u>	<u>2,044</u>	<u>2,044</u>
FUND BALANCES - END OF YEAR				
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,643</u>	<u>\$ 4,643</u>

OTHER INFORMATION

LEYDEN ROCK METROPOLITAN DISTRICT NO. 10
SCHEDULE OF DEBT SERVICE CASH REQUIREMENTS TO MATURITY
Year ended December 31, 2017

\$36,355,000 Series 2016A
Limited Tax (Convertible to Unlimited Tax)
General Obligation Refunding and Improvement Bonds
Interest Rate: 4.000% - 5.000%
Interest Payable
June 1 and December 1
Principal Payable
December 1

<u>December 31,</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total</u>
2018	\$ -	4.000%	\$ 1,733,156	\$ 1,733,156
2019	245,000	4.000%	1,733,156	1,978,156
2020	445,000	4.000%	1,723,356	2,168,356
2021	500,000	4.000%	1,705,556	2,205,556
2022	565,000	4.000%	1,685,556	2,250,556
2023	585,000	4.000%	1,662,956	2,247,956
2024	655,000	4.000%	1,639,556	2,294,556
2025	680,000	4.000%	1,613,356	2,293,356
2026	755,000	4.375%	1,586,156	2,341,156
2027	785,000	4.375%	1,553,125	2,338,125
2028	870,000	4.375%	1,518,781	2,388,781
2029	905,000	4.375%	1,480,719	2,385,719
2030	995,000	4.375%	1,441,125	2,436,125
2031	1,035,000	4.375%	1,397,594	2,432,594
2032	1,130,000	4.375%	1,352,313	2,482,313
2033	1,180,000	4.375%	1,302,875	2,482,875
2034	1,280,000	5.000%	1,251,250	2,531,250
2035	1,345,000	5.000%	1,187,250	2,532,250
2036	1,465,000	5.000%	1,120,000	2,585,000
2037	1,535,000	5.000%	1,046,750	2,581,750
2038	1,665,000	5.000%	970,000	2,635,000
2039	1,750,000	5.000%	886,750	2,636,750
2040	1,890,000	5.000%	799,250	2,689,250
2041	1,985,000	5.000%	704,750	2,689,750
2042	2,135,000	5.000%	605,500	2,740,500
2043	2,240,000	5.000%	498,750	2,738,750
2044	2,410,000	5.000%	386,750	2,796,750
2045	5,325,000	5.000%	266,250	5,591,250
	<u>\$ 36,355,000</u>		<u>\$ 34,852,586</u>	<u>\$ 71,207,586</u>

**LEYDEN ROCK METROPOLITAN DISTRICT NO. 10
SCHEDULE OF ASSESSED VALUATION, MILL LEVY
AND PROPERTY TAXES COLLECTED
Year ended December 31, 2017**

Year Ended December 31	Prior Year Assessed Valuation for Current Year Tax Levy	Mills		Total Property Taxes		Percent Collected to Levied
		Levied for		Levied	Collected	
		General	Debt Service			
2013	\$ -	0.000	0.000	\$ -	\$ -	N/A
2014	\$ 2,639,011	5.000	0.000	\$ 13,195	\$ 13,188	99.95%
2015	\$ 9,142,271	6.250	0.000	\$ 57,139	\$ 57,140	100.00%
2016	\$ 31,142,287	6.250	0.000	\$ 194,639	\$ 193,851	99.60%
2017	\$ 35,414,376	12.500	40.000	\$ 1,859,255	\$ 1,846,181	99.30%
Estimated 2018	\$ 49,322,962	15.819	44.222	\$ 2,961,400		

NOTE:

Property taxes collected in any one year include collection of delinquent property taxes assessed in prior years, as well as reductions for property tax refunds or abatements. Information received from the County Treasurer does not permit identification of specific year of assessment.