

PINE BLUFFS METROPOLITAN DISTRICT
Douglas County, Colorado
—
FINANCIAL STATEMENTS
December 31, 2017

L. PAUL GOEDECKE P.C.
CERTIFIED PUBLIC ACCOUNTANTS



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Office of the State Auditor

August 22 , 2018

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Independent Auditor's Report

Board of Directors
Pine Bluffs Metropolitan District
Douglas County, Colorado

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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 Pine Bluffs Metropolitan District as of December 31, 2017, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Economic Dependency

The District has not yet established a revenue base sufficient to pay its operational expenditures. As discussed in Note 11, the District is dependent upon the Developer of the District's service area to provide funds for such expenditures.

Other Matters

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 opinions on the basic financial statements are not affected by this missing 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 supplementary information as listed in the table of contents is presented for purposes of legal compliance and additional analysis and is not a required part of the financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

L. Paul Goedecke P.C.

L. Paul Goedecke, P.C.
July 26, 2018

PINE BLUFFS METROPOLITAN DISTRICT
BALANCE SHEET/STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
December 31, 2017

| | General Fund | Debt Service Fund | Total | Adjustments | Statement of Net Position |
|---|-------------------------|----------------------------------|-------------------|-----------------------|--------------------------------------|
| ASSETS: | | | | | |
| Cash and investments | \$ 10,566 | \$ - | \$ 10,566 | \$ - | \$ 10,566 |
| Cash and investments - restricted | 500 | 58,332 | 58,832 | - | 58,832 |
| Property taxes receivable - current | - | 2,879 | 2,879 | - | 2,879 |
| Property taxes receivable | - | 434,100 | 434,100 | - | 434,100 |
| Due from developer | 5,863 | - | 5,863 | - | 5,863 |
| Due from other funds | - | 3,641 | 3,641 | - | 3,641 |
| Total assets | <u>16,929</u> | <u>498,952</u> | <u>515,881</u> | <u>-</u> | <u>515,881</u> |
| LIABILITIES: | | | | | |
| Accrued expenses | 497 | - | 497 | - | 497 |
| Interest payable bonds | - | - | - | 16,929 | 16,929 |
| Due to other funds | 3,641 | - | 3,641 | - | 3,641 |
| Due to developer | 7,500 | - | 7,500 | - | 7,500 |
| Long-term liabilities: | | | | | |
| Interest payable on developer advances | | | | 246,201 | 246,201 |
| Due within one year | - | - | - | 140,000 | 140,000 |
| Due in more than one year | - | - | - | 5,049,687 | 5,049,687 |
| Total liabilities | <u>11,638</u> | <u>-</u> | <u>11,638</u> | <u>5,452,817</u> | <u>5,464,455</u> |
| DEFERRED INFLOW OF RESOURCES | | | | | |
| Property tax revenue | - | 434,100 | 434,100 | - | 434,100 |
| Total deferred inflow of resources | <u>-</u> | <u>434,100</u> | <u>434,100</u> | <u>-</u> | <u>434,100</u> |
| FUND BALANCE | | | | | |
| Restricted: | | | | | |
| Emergencies | 500 | - | 500 | (500) | - |
| Debt service | - | 64,852 | 64,852 | (64,852) | - |
| Unassigned | 4,791 | - | 4,791 | (4,791) | - |
| Total fund balances | <u>5,291</u> | <u>64,852</u> | <u>70,143</u> | <u>(70,143)</u> | <u>-</u> |
| Total liabilities and fund balance | <u>\$ 16,929</u> | <u>\$ 498,952</u> | <u>\$ 515,881</u> | | |
| NET POSITION | | | | | |
| Restricted for: | | | | | |
| Emergencies | | | | 500 | 500 |
| Unrestricted | | | | (5,383,174) | (5,383,174) |
| Total net position | | | | <u>\$ (5,382,674)</u> | <u>\$ (5,382,674)</u> |

NOTE: The accompanying notes are an integral part of the financial statements.

PINE BLUFFS METROPOLITAN DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES/STATEMENT OF ACTIVITIES**

GOVERNMENTAL FUND

For the Year Ended December 31, 2017

| | General | Debt Service | Total | Adjustments | Statement of Activities |
|--|-----------------|------------------|------------------|-----------------------|----------------------------|
| EXPENDITURES | | | | | |
| Accounting and audit | \$ 5,350 | \$ - | \$ 5,350 | \$ - | \$ 5,350 |
| Directors fees | 500 | - | 500 | - | 500 |
| Insurance | 1,814 | - | 1,814 | - | 1,814 |
| Legal | 13,052 | - | 13,052 | - | 13,052 |
| Management fees | 2,500 | - | 2,500 | - | 2,500 |
| Miscellaneous expenses | 993 | 280 | 1,273 | - | 1,273 |
| Treasurer's fees | - | 6,044 | 6,044 | - | 6,044 |
| Debt service: | | | | | |
| Debt retirement | - | 480,000 | 480,000 | (480,000) | - |
| Bond interest | - | 248,984 | 248,984 | (10,092) | 238,892 |
| Paying agent fees | - | 550 | 550 | - | 550 |
| Interest on developer advance | - | - | - | 22,814 | 22,814 |
| Total Expenditures | <u>24,209</u> | <u>735,858</u> | <u>760,067</u> | <u>(467,278)</u> | <u>292,789</u> |
| GENERAL REVENUES | | | | | |
| Property taxes | - | 392,362 | 392,362 | - | 392,362 |
| Specific ownership taxes | - | 42,980 | 42,980 | - | 42,980 |
| Interest income | - | 1,329 | 1,329 | - | 1,329 |
| Tap fee reimbursement | - | 255,000 | 255,000 | - | 255,000 |
| Total General Revenues | <u>-</u> | <u>691,671</u> | <u>691,671</u> | <u>-</u> | <u>691,671</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | | | | | |
| | <u>(24,209)</u> | <u>(44,187)</u> | <u>(68,396)</u> | <u>467,278</u> | <u>398,882</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Bond proceeds | - | 4,660,000 | 4,660,000 | (4,660,000) | - |
| Premium on Bond Issue | - | 565,382 | 565,382 | (565,382) | - |
| Bond issuance costs | - | (92,927) | (92,927) | - | (92,927) |
| Payment to refunding agent principal | - | (4,510,000) | (4,510,000) | 4,510,000 | - |
| Payment to refunding agent interest | - | (527,242) | (527,242) | 422,842 | (104,400) |
| Developer advances | 29,500 | - | 29,500 | (29,500) | - |
| Total other Financing Sources (Uses) | <u>29,500</u> | <u>95,213</u> | <u>124,713</u> | <u>(322,040)</u> | <u>(197,327)</u> |
| NET CHANGES IN FUND BALANCES | 5,291 | 51,026 | 56,317 | (56,317) | |
| CHANGE IN NET POSITION | | | | 201,555 | 201,555 |
| FUND BALANCES/NET POSITION: | | | | | |
| BEGINNING OF YEAR | <u>-</u> | <u>13,826</u> | <u>13,826</u> | <u>(5,598,055)</u> | <u>(5,584,229)</u> |
| END OF YEAR | <u>\$ 5,291</u> | <u>\$ 64,852</u> | <u>\$ 70,143</u> | <u>\$ (5,452,817)</u> | <u>\$ (5,382,674)</u> |

NOTE: The accompanying notes are an integral part of the financial statements.

PINE BLUFFS METROPOLITAN DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES BUDGET AND ACTUAL
GENERAL FUND**

Year Ended December 31, 2017

| | Original & Final Budget | Amended Budget | Actual | Variance Favorable (Unfavorable) |
|--|--|---------------------------|---------------|---|
| REVENUES | | | | |
| Miscellaneous | \$ 225 | \$ - | \$ - | \$ - |
| Total Revenues | 225 | - | - | - |
| EXPENDITURES | | | | |
| Accounting and audit | 5,275 | 5,350 | 5,350 | - |
| Directors fees | 500 | 500 | 500 | - |
| Insurance | 255 | 2,000 | 1,814 | 186 |
| Legal | 3,157 | 13,000 | 13,052 | (52) |
| Management fees | 2,500 | 2,500 | 2,500 | - |
| Miscellaneous expenses | 600 | 1,000 | 993 | 7 |
| Total Expenditures | 12,287 | 24,350 | 24,209 | 141 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | (12,062) | (24,350) | (24,209) | 141 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Developer advances | 12,000 | 29,500 | 29,500 | - |
| Total Other Financing Sources (Uses) | 12,000 | 29,500 | 29,500 | - |
| NET CHANGE IN FUND BALANCE | (62) | 5,150 | 5,291 | 141 |
| FUND BALANCE: | | | | |
| BEGINNING OF YEAR | 1,198 | - | - | - |
| END OF YEAR | \$ 1,136 | \$ 5,150 | \$ 5,291 | \$ 141 |

NOTE: The accompanying notes are an integral part of the financial statements.

PINE BLUFFS METROPOLITAN DISTRICT

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NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 1 – DEFINITION OF REPORTING ENTITY

Definition of Reporting Entity

Pine Bluffs Metropolitan District (The District), a quasi-municipal corporation, was organized on November 30, 2003 and is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in Douglas County, Colorado. The District was established to provide for the acquisition, construction, completion, and/or installation of regional transportation improvements and all other improvements necessary or required for roadway improvements.

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

The District follows the Governmental Accounting Standards Boards (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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

The accompanying financial statements are presented per GASB Statement No. 34 – Special Purpose Governments.

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. Property taxes are recognized as revenues in the year for which they are levied.

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 measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current period. The material sources of revenue subject to accrual are property taxes and interest. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is paid.

PINE BLUFFS METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The government reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the District. It is used to account for all financial resources not accounted for and reported in another fund.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources that are restricted, committed or assigned to expenditures for principal, interest and other debt related costs.

Fund Balances

Beginning with fiscal year 2011 the District implemented GASB Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.” This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balances more transparent. In the fund financial statements the following classifications describe the relative strength of the spending constraints.

Non-spendable fund balance – The portion of fund balance that cannot be spent because it is either not in spendable form (such as inventory) or is legally or contractually required to be maintained intact.

Restricted fund balance – The portion of fund balance constrained to being used for a specific purpose by external parties (such as grantors or bondholders), constitutional provisions or enabling legislation.

Committed fund balance – The portion of fund balance constrained for specific purposes according to limitations imposed by the District’s highest level of decision making authority, the Board of Directors prior to the end of the current fiscal year. 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 above criteria.

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.

Budgets

In accordance with the State Budget Law, the District’s Board of Directors holds public hearings in the fall of 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.

The District amended its General Fund Budget from \$12,287 to \$24,350 and its Debt Service fund budget from \$ 427,529 to \$ 5,867,430.

PINE BLUFFS METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash

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

Property Taxes

Property taxes are levied by the District Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to assess the property tax obligation of 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 at the taxpayers election, in equal installments in February and June. Delinquent taxpayers are notified in August and the sales of the resultant tax liens on delinquent properties are generally held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows 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.

Restricted Fund Balance

Emergency Reserves have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado in the amount of \$500.

NOTE 3 - CASH AND INVESTMENTS

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

| | |
|-----------------------------------|------------------|
| Statement of net position: | |
| Cash and investments | \$ 10,566 |
| Cash and investments - restricted | <u>58,832</u> |
| | <u>\$ 69,398</u> |

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

| | |
|--------------------------------------|------------------|
| Deposits with financial institutions | <u>\$ 69,398</u> |
|--------------------------------------|------------------|

PINE BLUFFS METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

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 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 \$ 69,398 and a carrying balance of \$ 69,398.

Investments

Credit Risk

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

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

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

The District generally limits its concentration of investments to those noted with an asterisk (*) above, which are believed to have minimal credit risk; minimal interest rate risk and no foreign currency risk.

PINE BLUFFS METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 4 – LONG-TERM OBLIGATIONS

The following is an analysis of changes in long-term obligations for the year ended December 31,

| | Balance at 1/1/2017 | Additions | Reductions | Balance at 12/31/2017 | Due Within One Year* |
|--|------------------------|---------------------|---------------------|--------------------------|-------------------------|
| Subordinate G.O. Limited Tax Bonds, Series 2004 | \$ 4,510,000 | \$ - | \$ 4,510,000 | \$ - | \$ - |
| Developer advances (see Note 8) | 414,805 | 29,500 | - | 444,305 | - |
| Interest payable, advances | 223,387 | 22,814 | - | 246,201 | - |
| G.O. Refunding Note Series 2017 | - | 4,660,000 | 480,000 | 4,180,000 | 140,000 |
| Premium on 2017 issue | - | 565,382 | - | 565,382 | - |
| | <u>\$ 5,148,192</u> | <u>\$ 5,277,696</u> | <u>\$ 4,990,000</u> | <u>\$ 5,435,888</u> | <u>\$ 140,000</u> |

\$4,660,000 General Obligation Refunding Bonds Series 2017 dated March 9, 2017. The bonds are term bonds in the amount of \$4,405,000 due December 1, 2036 and prepayable bonds in the amount of \$ 255,000 which were retired in 2017. The bonds accrue interest at 4.86% payable semi annually and are not subject to prepayment prior to maturity prior to the tenth anniversary of the Closing date of March 9, 2017. The bonds are payable from a limited debt service mill levy not in excess of 35 mills.

The Districts long term bond obligations, excluding the Developer Advance will mature as follows:

| Year | Principal | Interest | Total |
|-----------|---------------------|---------------------|---------------------|
| 2018 | \$ 140,000 | \$ 203,148 | \$ 343,148 |
| 2019 | 140,000 | 196,344 | 336,344 |
| 2020 | 155,000 | 189,540 | 344,540 |
| 2021 | 160,000 | 182,007 | 342,007 |
| 2022 | 170,000 | 174,231 | 344,231 |
| 2023-2027 | 970,000 | 739,935 | 1,709,935 |
| 2028-2032 | 1,230,000 | 479,925 | 1,709,925 |
| 2033-2036 | 1,215,000 | 151,632 | 1,366,632 |
| | <u>\$ 4,180,000</u> | <u>\$ 2,316,762</u> | <u>\$ 6,496,762</u> |

PINE BLUFFS METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 5 – NET POSITION

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

Restricted assets include Net Position that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

The District had a unrestricted deficit net balance of (\$ 5,383,174) as of December 31, 2017, due to the previous dedication of assets to other governments, for which the District remains liable for related debt.

NOTE 6 – RELATED PARTY INFORMATION

The members of the Board of Directors of the District are employees, owners or associated with the Developer of the District, and may have conflicts of interest in dealing with the District. Management fees of \$2,500 were paid to the Developer during 2017.

NOTE 7 – RISK MANAGEMENT

The District is exposed to various risks of loss related to 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 liability, property and public officials liability 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 8 – AGREEMENTS WITH OTHER GOVERNMENTS OR DEVELOPER

Facilities Fund Agreement

The District entered an intergovernmental agreement with the Town of Parker (Town) on January 16, 2004, to fund construction of road improvements relating to Hess Road and Hilltop Road. In accordance with the agreement, during 2004 the District remitted \$3,070,000 of bond proceeds to the Town of design and construction of the Hess/Hilltop road improvements. The Town is responsible for the construction and ownership of the road improvements, therefore the District has not recorded capital assets related to the \$3,070,000 payment above.

PINE BLUFFS METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 8 – AGREEMENTS WITH OTHER GOVERNMENTS OR DEVELOPER (CONTINUED)

To implement the Service Plan, the District has signed an intergovernmental agreement with the Town. The agreement is in full force and effect until such time as the District files a petition in District Court for dissolution after completion of all required statutory and election procedures.

The Town is to own, operate, maintain and construct the improvements relating to Hess Road and Hilltop Road. The District has deposited a sum of \$3,070,000 with the Town for design and construction of the Hess/Hilltop road improvements. Pursuant to the IGA, the District is expected to use bond proceeds to provide funding to the Town for the District's portion of the Hess/Hilltop Road Improvements.

Advance and Reimbursement

On August 2, 2004, the District entered into an agreement with the Developer to establish the terms and conditions for reimbursement of advances for organizational and public improvements and facilities costs incurred through the date of the agreement in the amount of \$221,829 and continuing into the future until the agreement is terminated through mutual agreement.

Interest will accrue on the advances made at the current prime rate plus 1% per annum, but in no event shall the interest rate be greater than 12% per annum. The obligation to repay the Developer is subject to limitations described in the District's service plan and is subordinate to the annual debt service payments required to any third party bondholders. Additionally, the repayment is subject to annual appropriation and budget approval, from funds available within any fiscal year and not otherwise required for operations and debt service costs and expenses of the District. The Developer has advanced \$ 444,305 and has accrued interest of \$ 246,201.

NOTE 9 – TAX, SPENDING AND DEBT LIMITATIONS

In November 1992, the voters of Colorado approved Amendment 1, commonly known as the Taxpayer's Bill of Rights (TABOR), which adds a new Section 20 to Article X of the Colorado Constitution. TABOR contains tax, spending, revenue and debt limitations, which apply to the State of Colorado and all local governments.

Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR.

The initial base for local government spending and revenue limits is 1992 Fiscal Year Spending. Future spending and revenue limits are determined based on the prior year's Fiscal 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 1% of Fiscal Year Spending (excluding bonded debt service) in 1993, 2% in 1994 and 3% thereafter. Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

PINE BLUFFS METROPOLITAN DISTRICT

**NOTES TO FINANCIAL STATEMENTS
December 31, 2017**

NOTE 9 – TAX, SPENDING AND DEBT LIMITATIONS (CONTINUED)

TABOR requires, with certain exceptions, voter approval prior to imposing new taxes, increasing a tax rate, increasing a mill levy above that for the prior year, extending an expiring tax, or implementing a tax policy change directly causing a net tax revenue gain to any local government.

Except for bond refinancing at lower interest rates or adding employees to existing pension plans, TABOR specifically prohibits the creation of multiple-fiscal year debt or other financial obligations without voter approval or without irrevocably pledging present cash reserves for all future payments.

On November 4, 2003, the voters of the District approved that the District debt be increased \$4,660,000 with a repayment cost of \$15,000,000 or such lesser amount as may be necessary, and District taxes be increased \$750,000 annually or such lesser amount as may be necessary for the payment of such debt and any refundings thereof for the purposes of paying, leasing, financing or reimbursing all or any part of the costs of the design, acquisition, installation, construction and relocation within and without the boundaries of the District, of roadway improvements, median islands, utility relocation, drainage, signage, sidewalks, utilities, traffic signals and installation, landscaping and other improvements necessary or required for roadway improvements, together with all incidental and appurtenant facilities, equipment, land and easements, and extensions of an improvements to such facilities; such bonds to bear interest at a maximum interest rate not to exceed 12%.

On November 4, 2003, a majority of the District’s voters approved that the District be authorized to retain all revenues it received from its rates, fees, tolls and other charges (both operating and capital in nature) for facilities and services and any and all other revenues it receives in 2003 and in all subsequent years; and the District be authorized to spend such revenues as voter-approved revenue change and an exception to any spending limitations which might otherwise apply, without limiting the collection and spending of other revenues of the District in any one year.

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 10 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of differences between the governmental fund Balance Sheet and the government-wide Statement of Net Position

The governmental fund Balance Sheet and the government-wide Statement of Net Position includes a reconciling column. Explanation of the adjustments included in the reconciling column is as follows:

| | | |
|--------------------------------|----|-----------|
| Interest payable – Bonds | \$ | 16,929 |
| Long term debt | \$ | 5,189,687 |
| Interest on developer advances | \$ | 246,201 |

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Interest payable on advances as well as accrued interest on bonds are not recorded in the funds.

PINE BLUFFS METROPOLITAN DISTRICT

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NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 10 – RECONCILIATION OF *GOVERNMENT-WIDE* AND FUND FINANCIAL STATEMENTS (CONTINUED)

Explanation of differences between the governmental fund Statement of Revenue, Expenditures and Changes in Fund Balance and the government-wide Statement of Activities

The governmental fund Statement of Revenue, Expenditures and Changes in Fund Balance and the government-wide Statement of Activities include a reconciling column. Explanation of the adjustments included in the reconciling column is as follows:

| | |
|--------------------------------|----------------|
| Debt retirement | \$ (480,000) |
| Interest on developer advances | \$ 22,814 |
| Bond Interest | \$ (10,092) |
| Bond proceeds | \$ (4,660,000) |
| Premium Bond issue | \$ (565,382) |
| Payment to refunding agent | \$ 4,932,842 |
| Developer advances | \$ (29,500) |

Interest on developer advances are recorded in the Statement of Activities and developer advances are recognized as revenue in the governmental statements but as debt in the Statement of Net Position. Accreted interest is recorded in the Statement of Activities but not in the Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balances.

NOTE 11 – ECONOMIC DEPENDENCY

The District has not yet established a revenue base sufficient to pay the District's operational expenditures. Until an independent revenue base is established, continuation of operations in the District will be dependent upon funding by the Developer to advance funds for operations.

SUPPLEMENTAL INFORMATION

PINE BLUFFS METROPOLITAN DISTRICT

**DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL
Year Ended December 31, 2017**

| | Original Budget | Amended & Final Budget | Actual | Variance Favorable (Unfavorable) |
|--|----------------------------|---------------------------------------|------------------|---|
| REVENUES | | | | |
| System development fees | \$ - | \$ 255,000 | \$ 255,000 | \$ - |
| Property taxes | 392,346 | 392,346 | 392,362 | 16 |
| Interest income | 39,235 | 39,235 | 42,980 | 3,745 |
| Tap Fee reimbursement | 24 | 24 | 1,329 | 1,305 |
| Total Revenues | <u>431,605</u> | <u>686,605</u> | <u>691,671</u> | <u>5,066</u> |
| EXPENDITURES | | | | |
| Bond interest paid | 226,494 | 250,000 | 248,984 | 1,016 |
| Bond Principal | 195,000 | 480,000 | 480,000 | - |
| Paying agent fees | 150 | 550 | 550 | - |
| Miscellaneous expenses | - | 280 | 280 | - |
| Treasurer's fees | 5,885 | 6,100 | 6,044 | 56 |
| Total Expenditures | <u>427,529</u> | <u>736,930</u> | <u>735,858</u> | <u>1,072</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | 4,076 | (50,325) | (44,187) | 6,138 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Bond proceeds | - | 4,660,000 | 4,660,000 | - |
| Premium on Bond issue | - | 565,000 | 565,382 | 382 |
| Bond issuance costs | - | (93,000) | (92,927) | 73 |
| Payment to refunding agent | - | (4,510,000) | (4,510,000) | - |
| Transfers in | - | (527,500) | (527,242) | 258 |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>94,500</u> | <u>95,213</u> | <u>713</u> |
| NET CHANGE IN FUND BALANCE | 4,076 | 44,175 | 51,026 | 6,851 |
| FUND BALANCE: | | | | |
| BEGINNING OF YEAR | <u>1,625</u> | <u>13,826</u> | <u>13,826</u> | <u>-</u> |
| END OF YEAR | <u>\$ 5,701</u> | <u>\$ 58,001</u> | <u>\$ 64,852</u> | <u>\$ 6,851</u> |

NOTE: The accompanying notes are an integral part of the financial statements.

PINE BLUFFS 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 for General Fund | Mills Levied for Debt Service Fund | Total Property Taxes | | Percent collected to Levied |
|----------------------------|--|---|--|----------------------|------------|-----------------------------------|
| | | | | Levied | Collected | |
| 2005 | \$ 88,220 | 5.000 | 30.000 | \$ 3,088 | \$ 3,086 | 99.94% |
| 2006 | \$ 451,400 | 1.030 | 33.970 | \$ 15,799 | \$ 15,802 | 100.00% |
| 2007 | \$ 1,909,560 | 1.090 | 33.910 | \$ 66,835 | \$ 70,475 | 105.00% |
| 2008 | \$ 3,270,170 | 0.000 | 35.000 | \$ 114,456 | \$ 113,359 | 99.04% |
| 2009 | \$ 3,980,180 | 0.000 | 35.000 | \$ 139,306 | \$ 139,307 | 100.00% |
| 2010 | \$ 5,678,686 | 0.000 | 35.000 | \$ 198,754 | \$ 195,885 | 98.50% |
| 2011 | \$ 5,921,290 | 0.000 | 35.000 | \$ 207,243 | \$ 207,264 | 100.00% |
| 2012 | \$ 4,948,636 | 0.000 | 35.000 | \$ 173,199 | \$ 173,200 | 100.00% |
| 2013 | \$ 5,165,323 | 0.000 | 35.000 | \$ 180,786 | \$ 176,506 | 697.63% |
| 2014 | \$ 6,153,133 | 0.000 | 35.000 | \$ 215,360 | \$ 210,422 | 97.71% |
| 2015 | \$ 7,074,828 | 0.000 | 35.000 | \$ 247,619 | \$ 245,859 | 99.29% |
| 2016 | \$ 9,813,886 | 0.000 | 35.000 | \$ 343,486 | \$ 343,852 | 100.00% |
| 2017 | \$ 11,209,888 | 0.000 | 35.000 | \$ 392,346 | \$ 392,362 | 100.00% |

Estimated for
calendar
year ending

12/31/2018 \$ 12,402,869 0.000 35.000 \$ 434,100

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.