

**PIONEER HILLS METROPOLITAN DISTRICT**  
**Arapahoe County, Colorado**  
—  
**FINANCIAL STATEMENTS**  
**December 31, 2017**



**RECEIVED**

Office of the State Auditor

July 26, 2018

**L. PAUL GOEDECKE P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

## TABLE OF CONTENTS

<b>INDEPENDENT AUDITOR’S REPORT .....</b>	<b>I-II</b>
---	-------------

### **BASIC FINANCIAL STATEMENTS**

Governmental Funds Balance Sheet/Statement of Net Position .....	1
Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities.....	2
General Fund - Statement of Revenues, Expenditures, And Changes in Fund Balance – Budget and Actual.....	3
Notes to Financial Statements .....	4-12

### **Supplemental Information**

Debt Service Fund - Schedule of Revenues, Expenditures, And Changes in Fund Balance – Budget and Actual.....	13
Capital Projects Fund - Schedule of Revenues, Expenditures, And Changes in Fund Balance – Budget and Actual.....	14
Schedule of Debt Service Requirements to Maturity .....	15

## **Independent Auditor's Report**

Board of Directors  
**Pioneer Hills Metropolitan District**  
Arapahoe County, Colorado

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of Pioneer Hills 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 Pioneer Hills 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.

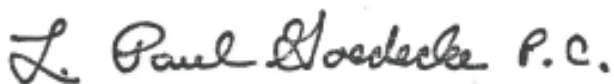
## **Economic Dependency**

The District has not yet established a revenue base sufficient to pay its operational expenditures. As discussed in Note 12, 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.  
July 26, 2018

**PIONEER HILLS METROPOLITAN DISTRICT**

**GOVERNMENTAL FUNDS BALANCE SHEET/STATEMENT OF NET POSITION**  
**December 31, 2017**

	General	Debt Service	Capital Projects	Total	Adjustments	Statement of Net Position
<b>ASSETS:</b>						
Cash and investments - restricted	\$ 650	\$ 4,635	\$ -	\$ 5,285	\$ -	\$ 5,285
Property taxes receivable - current	21	1,036	-	1,057	-	1,057
Property taxes receivable	11,071	257,389	-	268,460	-	268,460
Due from developer	30,218	-	5,428	35,646	-	35,646
Due (to) from other funds	4,507	34,986	-	39,493	(39,493)	-
Capital assets not being depreciated	-	-	-	-	2,338,367	2,338,367
<b>Total assets</b>	<u>46,467</u>	<u>298,046</u>	<u>5,428</u>	<u>349,941</u>	<u>2,298,874</u>	<u>2,648,815</u>
<b>LIABILITIES:</b>						
Accounts payable	410	-	-	410	-	410
Due to other funds	34,986	-	4,507	39,493	(39,493)	-
Long term liabilities:						
Due within one year	-	-	-	-	145,965	145,965
Due in more than one year	-	-	-	-	3,741,916	3,741,916
<b>Total liabilities</b>	<u>35,396</u>	<u>-</u>	<u>4,507</u>	<u>39,903</u>	<u>3,848,388</u>	<u>3,888,291</u>
<b>DEFERRED INFLOW OF RESOURCES</b>						
Property tax revenue	<u>11,071</u>	<u>257,389</u>	<u>-</u>	<u>268,460</u>	<u>-</u>	<u>268,460</u>
<b>Total deferred inflow of resources</b>	<u>11,071</u>	<u>257,389</u>	<u>-</u>	<u>268,460</u>	<u>-</u>	<u>268,460</u>
<b>FUND BALANCE/NET POSITION</b>						
Restricted:						
Emergencies	650	-	-	650	(650)	-
Debt service	-	40,657	-	40,657	(40,657)	-
Capital projects	-	-	921	921	(921)	-
Unassigned	(650)	-	-	(650)	650	-
<b>Total fund balances</b>	<u>-</u>	<u>40,657</u>	<u>921</u>	<u>41,578</u>	<u>(41,578)</u>	<u>-</u>
<b>Total liabilities and fund balance</b>	<u>\$ 46,467</u>	<u>\$ 298,046</u>	<u>\$ 5,428</u>	<u>\$ 349,941</u>		
<b>NET POSITION</b>						
Invested in capital assets, net of related debt					(1,549,514)	(1,549,514)
Restricted for:						
Emergencies					650	650
Debt service					40,657	40,657
Capital projects					921	921
Unrestricted					(650)	(650)
<b>Total net position</b>					<u>\$ (1,507,936)</u>	<u>\$ (1,507,936)</u>

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

**PIONEER HILLS METROPOLITAN DISTRICT**

**STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES/STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2017**

	<b>General</b>	<b>Debt Service</b>	<b>Capital Project</b>	<b>Total</b>	<b>Adjustments</b>	<b>Statement of Activities</b>
<b>EXPENDITURES</b>						
Accounting and audit	\$ 5,350	\$ 619	\$ -	\$ 5,969	\$ -	\$ 5,969
Insurance	2,019	-	-	2,019	-	2,019
Legal	5,219	-	-	5,219	-	5,219
Treasurer's fees	47	2,295	-	2,342	-	2,342
Debt service:						
Bond interest	-	741,404	-	741,404	(539,303)	202,101
Paying agent fees	-	1,725	-	1,725	-	1,725
<b>Total expenditures/expenses</b>	<u>12,635</u>	<u>746,043</u>	<u>-</u>	<u>758,678</u>	<u>(539,303)</u>	<u>219,375</u>
<b>REVENUES</b>						
Property taxes	3,115	152,646	-	155,761	-	155,761
Specific ownership taxes	281	13,781	-	14,062	-	14,062
Interest income	6	329	-	335	-	335
Miscellaneous income	1,864	-	-	1,864	-	1,864
<b>Total revenues</b>	<u>5,266</u>	<u>166,756</u>	<u>-</u>	<u>172,022</u>	<u>-</u>	<u>172,022</u>
<b>EXCESS (DEFICIENCY) OF EXPENDITURES OVER REVENUES</b>	<u>(7,369)</u>	<u>(579,287)</u>	<u>-</u>	<u>(586,656)</u>	<u>539,303</u>	<u>(47,353)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Bond proceeds	-	3,887,881	-	3,887,881	(3,887,881)	-
Bond issuance costs	-	(72,043)	-	(72,043)	-	(72,043)
Payment to refunding agent	-	(3,225,000)	-	(3,225,000)	3,225,000	-
Developer contributions	7,369	-	-	7,369	-	7,369
<b>Total Other Financing Sources (Uses)</b>	<u>7,369</u>	<u>590,838</u>	<u>-</u>	<u>598,207</u>	<u>(662,881)</u>	<u>(64,674)</u>
<b>NET CHANGES IN FUND BALANCES</b>	-	11,551	-	11,551	(11,551)	
<b>CHANGE IN NET ASSETS</b>					(112,027)	(112,027)
<b>FUND BALANCE/NET ASSETS:</b>						
<b>BEGINNING OF YEAR</b>	<u>-</u>	<u>29,106</u>	<u>921</u>	<u>30,027</u>	<u>(1,425,936)</u>	<u>(1,395,909)</u>
<b>END OF YEAR</b>	<u>\$ -</u>	<u>\$ 40,657</u>	<u>\$ 921</u>	<u>\$ 41,578</u>	<u>\$ (1,549,514)</u>	<u>\$ (1,507,936)</u>

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

**PIONEER HILLS METROPOLITAN DISTRICT**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**Year Ended December 31, 2017**

	<u>Original Budget</u>	<u>Amended &amp; Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>				
Property taxes	\$ 3,115	\$ 3,115	\$ 3,115	\$ -
Specific ownership taxes	238	300	281	(19)
Interest income	-	-	6	6
Miscellaneous income	-	1,864	1,864	-
<b>Total revenues</b>	<u>3,353</u>	<u>5,279</u>	<u>5,266</u>	<u>(13)</u>
<b>EXPENDITURES</b>				
Accounting and audit	5,275	5,350	5,350	-
Insurance	255	2,100	2,019	81
Legal	3,000	5,200	5,219	(19)
Treasurer's fees	47	47	47	-
<b>Total expenditures</b>	<u>8,577</u>	<u>12,697</u>	<u>12,635</u>	<u>62</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(5,224)</u>	<u>(7,418)</u>	<u>(7,369)</u>	<u>49</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Developer contributions	5,224	7,418	7,369	(49)
<b>Total other financing sources (uses)</b>	<u>5,224</u>	<u>7,418</u>	<u>7,369</u>	<u>(49)</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	-	-	-
<b>FUND BALANCE:</b>				
<b>BEGINNING OF YEAR</b>	-	-	-	-
<b>END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

**PIONEER HILLS METROPOLITAN DISTRICT**

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

**NOTE 1 – DEFINITION OF REPORTING ENTITY**

**Definition of Reporting Entity**

Pioneer Hills Metropolitan District (The District), a quasi-municipal corporation, was organized on February 27, 2006 and is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in Arapahoe County, Colorado. The District was established to provide for street lighting, safety protection, traffic safety controls, utilities and transportation.

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.

**PIONEER HILLS 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.

Capital Projects Fund – The Capital Projects Fund is used to account for all financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other assets.

**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.

**PIONEER HILLS METROPOLITAN DISTRICT**

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

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Budgets**

In accordance with the State Budget Law, the District’s Board of Directors holds public hearings in the fall 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 \$8,577 to \$12,697 and its Debt Service fund from \$169,208 to \$4,043,092.

**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. \$ 650 of the General Fund balance has been restricted in compliance with this requirement.

**PIONEER HILLS METROPOLITAN DISTRICT**

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

**NOTE 3 - CASH AND INVESTMENTS**

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

Statement of Net Position:

Cash and investments – restricted	<u>\$ 5,285</u>
-----------------------------------	-----------------

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

Deposits with financial institutions	<u>\$ 5,285</u>
--------------------------------------	-----------------

**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 \$ 5,285 and a carrying balance of \$ 5,285.

**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:

**PIONEER HILLS METROPOLITAN DISTRICT**

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

**NOTE 3 - CASH AND INVESTMENTS (CONTINUED)**

- \* 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.

The local government investment pools include the Colorado Local Government Liquid Assets Trust (ColoTrust) rated AAAM by Standard & Poor's.

**Interest Rate Risk**

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 or sinking fund requirements.

**Restricted Cash and Investments**

As of December 31, 2017, \$ 4,635 of cash and investments were restricted for debt service.

**NOTE 4 – LONG-TERM OBLIGATIONS**

Following is an analysis of the changes in the District's Long-term obligations for the year ended December 31, 2017:

	<b>Balance at</b>			<b>Balance at</b>	<b>Due within</b>
	<b>1/1/2017</b>	<b>Additions</b>	<b>Reductions</b>	<b>12/31/2017</b>	<b>one year</b>
G.O. Limited Tax Bonds,					
Series 2006	\$ 3,225,000	\$ -	\$ 3,225,000	\$ -	\$ -
B interest coupons 2018	-	145,965	-	145,965	145,965
B interest coupons 2019	-	141,667	-	141,667	-
B interest coupons 2020	-	105,248	-	105,248	-
G.O. Limited Tax Note,					
Series 2017	-	3,495,000	-	3,495,000	-
	<u>\$ 3,225,000</u>	<u>\$ 3,887,880</u>	<u>\$ 3,225,000</u>	<u>\$ 3,887,880</u>	<u>\$ 145,965</u>

**PIONEER HILLS METROPOLITAN DISTRICT**

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

**NOTE 4 – LONG-TERM OBLIGATIONS (CONTINUED)**

The following is a detail of the Districts long-term obligations as of the year ended December 31, 2017:

**\$3,495,000 General Obligation Limited Tax Refunding Note, Series 2017.** On November 29, 2017 the District issued a \$3,495,000 General Obligation Limited Tax Refunding Note to refund the Districts outstanding 2006 Limited Tax Bonds as well as any accrued but unpaid interest on the 2006 Bonds in the amount of \$545,552. The refunding note bears interest at 3.38% with supplemental B interest due in the amount of \$150,000 on December 1, 2018, \$150,000 due on December 1, 2019 and \$115,000 due on December 1, 2020. The Note matures December 1, 2037. The note is secured by a mill levy not to exceed 50 mills adjusted for any changes in the assessment ratio used by the State of Colorado to determine assessed valuation (Gallagher amendment).

The District is limited in the amount of indebtedness pursuant to its service plan to \$3,500,000 and has remaining authorized but unissued debt of \$215,000.

The District’s long-term obligations will mature as follows:

<b>Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2018	\$ 145,965	\$ 122,822	\$ 268,787
2019	141,667	126,464	268,131
2020	140,248	127,883	268,131
2021	150,000	116,948	266,948
2022	155,000	111,878	266,878
2023-2027	875,000	475,735	1,350,735
2028-2032	1,045,000	317,213	1,362,213
2033-2037	1,235,000	128,102	1,363,102
	<u>\$ 3,887,880</u>	<u>\$ 1,527,045</u>	<u>\$ 5,414,925</u>

**NOTE 5 – CAPITAL ASSETS**

**Capital Assets – Governmental Funds**

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

<b>Governmental Activities</b>	<b>Balance at 1/1/2017</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance at 1/1/2017</b>
Capital assets, not being depreciated				
Improvements	\$ 2,338,367	\$ –	\$ –	\$ 2,338,367
Total capital assets	<u>\$ 2,338,367</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ 2,338,367</u>

**PIONEER HILLS METROPOLITAN DISTRICT**

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

**NOTE 5 – CAPITAL ASSETS (CONTINUED)**

Capital assets owned by the District will be transferred to other governmental entities; therefore, the District does not record depreciation on capital assets. The District has Net Position consisting of two components- restricted and unrestricted.

**NOTE 6 – NET POSITION**

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.

**NOTE 7 – 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. No management fees were paid to the Developer during 2017. The District intends to pay management fees in the future.

**NOTE 8 – 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 9 – COMMITMENTS**

**ARI Mill Levy**

The District is required by the Service Plan and the City IGA to impose a mill levy for ARI, which is defined in the Service Plan and the City IGA as the “ARI Mill Levy”, which is to be imposed as follows: (i) for the first 20 years, one mill; (ii) for the next 20 years, five mills; and (iii) for the next 10 years, a mill levy equal to the average debt service mill levy imposed by the District in the 10 years prior to the date of repayment of the debt it issued to construct non-regional improvements. The ARI Mill Levy is in addition to the amount of the Limited Mill Levy. The ARI Mill Levy does not constitute a portion of the Pledged Revenue and is not pledged to the payment of the Bonds.

**PIONEER HILLS METROPOLITAN DISTRICT**

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

**NOTE 10 – 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.

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.

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.

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.

On May 2, 2006, 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 2006 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.

**PIONEER HILLS METROPOLITAN DISTRICT**

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

**NOTE 11 – 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:

Capital assets	\$	2,338,367
----------------	----	-----------

Bond issue costs are amortized over the life of the bond issue and capitalized in the Statement of Net Position. Construction costs are also capitalized.

Bonds payable	\$	3,887,881
---------------	----	-----------

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

**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:

Bond interest	\$	(593,303)
Bond Proceeds	\$	(3,887,881)
Payment to refunding agent	\$	3,225,000

Governmental funds report bond proceeds and issue costs as revenue and expenditures. However, in the Statement of Activities, the issue costs are allocated over the life of the bond issue and bond proceeds are reflected as debt in the Statement of Net Position.

**NOTE 12 – 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**

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

	<u>Original Budget</u>	<u>Amended Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>				
Property taxes	\$ 152,646	\$ 152,646	\$ 152,646	\$ -
Specific ownership taxes	11,230	13,750	13,781	31
Interest income	72	300	329	29
<b>Total revenues</b>	<u>163,948</u>	<u>166,696</u>	<u>166,756</u>	<u>60</u>
<b>EXPENDITURES</b>				
Bond interest	165,000	741,404	741,404	-
Paying agent fees	1,150	1,725	1,725	-
Miscellaneous expenses	600	620	619	1
Treasurer's fees	2,458	2,300	2,295	5
<b>Total expenditures</b>	<u>169,208</u>	<u>746,049</u>	<u>746,043</u>	<u>6</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(5,260)	(579,353)	(579,287)	66
<b>OTHER FINANCING SOURCES (USES)</b>				
Bond proceeds	-	3,887,881	3,887,881	-
Bond issuance costs	-	(72,043)	(72,043)	-
Payment to refunding agent	-	(3,225,000)	(3,225,000)	-
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>590,838</u>	<u>590,838</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	(5,260)	11,485	11,551	66
<b>FUND BALANCE – BEGINNING OF YEAR</b>	<u>28,600</u>	<u>29,106</u>	<u>29,106</u>	<u>-</u>
<b>FUND BALANCE – END OF YEAR</b>	<u>\$ 23,340</u>	<u>\$ 40,591</u>	<u>\$ 40,657</u>	<u>\$ 66</u>

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

**PIONEER HILLS METROPOLITAN DISTRICT**  
**CAPITAL PROJECTS FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCES – BUDGET AND ACTUAL**  
**Year Ended December 31, 2017**

	<b>Original Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Developer advances	-	-	-
Transfers out	-	-	-
<b>Total other financing sources (uses)</b>	-	-	-
<b>FUND BALANCE:</b>			
<b>BEGINNING OF YEAR</b>	-	921	921
<b>END OF YEAR</b>	\$ -	\$ 921	\$ 921

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

**PIONEER HILLS METROPOLITAN DISTRICT**  
 —  
**SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY**  
**December 31, 2017**

**\$3,495,000**  
**General Obligation Limited Tax**  
**3.38% Refunding Note and**  
**supplemental B interest coupons**  
**Payable June 1 and December 1**  
**Principal Due December 1**

Year ending December 31,	Principal	Interest	Total
2018	\$ 145,965	\$ 122,822	\$ 268,787
2019	141,667	126,464	268,131
2020	140,248	127,883	268,131
2021	150,000	116,948	266,948
2022	155,000	111,878	266,878
2023	165,000	106,639	271,639
2024	170,000	101,062	271,062
2025	175,000	95,316	270,316
2026	180,000	89,401	269,401
2027	185,000	83,317	268,317
2028	195,000	77,064	272,064
2029	200,000	70,473	270,473
2030	210,000	63,713	273,713
2031	215,000	56,615	271,615
2032	225,000	49,348	274,348
2033	230,000	41,743	271,743
2034	240,000	33,969	273,969
2035	245,000	25,857	270,857
2036	255,000	17,576	272,576
2037	265,000	8,957	273,957
	<u>\$ 3,887,880</u>	<u>\$ 1,527,045</u>	<u>\$ 5,414,925</u>