

SPRUCE MEADOWS METROPOLITAN DISTRICT
City and County of Broomfield, Colorado
—
FINANCIAL STATEMENTS
December 31, 2017

L. PAUL GOECKE P.C.
CERTIFIED PUBLIC ACCOUNTANTS

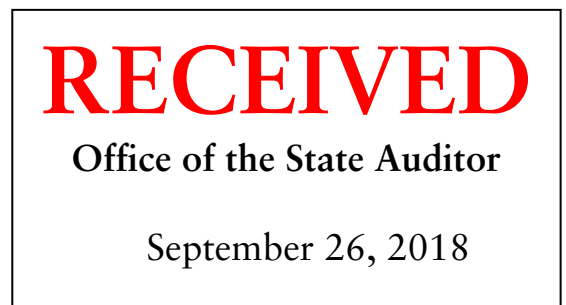


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Independent Auditor's Report

Board of Directors
Spruce Meadows Metropolitan District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Spruce Meadows 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 audits. We conducted our audits 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 Spruce Meadows 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.

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.
September 4, 2018

SPRUCE MEADOWS METROPOLITAN DISTRICT
BALANCE SHEET/STATEMENT OF NET POSITION
December 31, 2017

	General	Debt Service	Total	Adjustments	Statement of Net Position
ASSETS					
Cash and investments	\$ 74,837	\$ -	\$ 74,837	\$ -	\$ 74,837
Cash and investments - restricted	27,753	206,282	234,035	-	234,035
Receivable - County Treasurer	-	-	-	-	-
Due from other funds	-	1,567	1,567	(1,567)	-
Property taxes receivable	100,000	255,897	355,897	-	355,897
Prepaid expenses	4,806	-	4,806	-	4,806
Capital assets not being depreciated	-	-	-	1,955,468	1,955,468
Capital assets, net of accumulated depreciation	-	-	-	289,440	289,440
Total assets	<u>207,396</u>	<u>463,746</u>	<u>671,142</u>	<u>2,243,341</u>	<u>2,914,483</u>
DEFERRED OUTFLOWS OF RESOURCES					
Cost of Debt refunding	-	-	-	272,886	272,886
Total deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>272,886</u>	<u>272,886</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 207,396</u>	<u>\$ 463,746</u>	<u>\$ 671,142</u>	<u>\$ 2,516,227</u>	<u>\$ 3,187,369</u>
LIABILITIES					
Accounts payable	7,458	-	7,458	-	7,458
Due to HOA	22,085	-	22,085	-	22,085
Accrued interest on bonds	-	-	-	14,037	14,037
Due to other funds	1,567	-	1,567	(1,567)	-
Advances payable – operations	-	-	-	132,650	132,650
Interest payable - operations	-	-	-	23,532	23,532
Advances payable- capital	-	-	-	1,420,965	1,420,965
Interest payable - capital	-	-	-	753,105	753,105
Long-term liabilities:					
Due within one year	-	-	-	80,000	80,000
Due in more than one year	-	-	-	2,615,000	2,615,000
Total liabilities	<u>31,110</u>	<u>-</u>	<u>31,110</u>	<u>5,037,722</u>	<u>5,068,832</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred property taxes	100,000	255,897	355,897	-	355,897
Total deferred inflows of resources	<u>100,000</u>	<u>255,897</u>	<u>355,897</u>	<u>-</u>	<u>355,897</u>
FUND BALANCES/NET POSITION					
Fund Balances					
Nonspendable:					
Prepays	4,806	-	4,806	(4,806)	-
Restricted:					
Emergencies	3,750	-	3,750	(3,750)	-
Debt service	-	207,849	207,849	(207,849)	-
Capital projects	24,003	-	24,003	(24,003)	-
Unassigned	43,727	-	43,727	(43,727)	-
Total fund balances	<u>76,286</u>	<u>207,849</u>	<u>284,135</u>	<u>(284,135)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 207,396</u>	<u>\$ 463,746</u>	<u>\$ 671,142</u>		
Net Position:					
Invested in capital assets, net of related debt				(2,780,344)	(2,780,344)
Restricted for:					
Emergencies				3,750	3,750
Debt service				207,849	207,849
Capital projects				24,003	24,003
Unrestricted				307,383	307,383
Total net position				<u>\$ (2,237,359)</u>	<u>\$ (2,237,359)</u>

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

SPRUCE MEADOWS METROPOLITAN DISTRICT

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

For the Year Ended December 31, 2017

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
EXPENDITURES					
Accounting and audit	\$ 3,000	\$ -	\$ 3,000	\$ -	\$ 3,000
Repair and maintenance	55,927	-	55,927	-	55,927
Insurance	4,512	-	4,512	-	4,512
Engineering	4,111	-	4,111	-	4,111
Legal	23,691	-	23,691	-	23,691
Management fees	9,600	-	9,600	-	9,600
Miscellaneous expenses	365	-	365	-	365
Utilities	15,059	-	15,059	-	15,059
Capital improvements	34,765	-	34,765	-	34,765
Treasurer's fees	1,505	3,222	4,727	-	4,727
Loan principal	-	80,000	80,000	(80,000)	-
Loan interest expense	-	63,593	63,593	-	63,593
Paying agent fees	-	1,000	1,000	-	1,000
Depreciation	-	-	-	16,080	16,080
Interest on Developer advances	-	-	-	152,708	152,708
Repay developer advances	4,000	-	4,000	(4,000)	-
Total expenditures/expenses	<u>156,535</u>	<u>147,815</u>	<u>304,350</u>	<u>84,788</u>	<u>389,138</u>
GENERAL REVENUES					
Property taxes	99,998	214,068	314,066	-	314,066
Specific ownership taxes	6,475	13,854	20,329	-	20,329
Interest income	1,357	3,835	5,192	-	5,192
Total General Revenues	<u>107,830</u>	<u>231,757</u>	<u>339,587</u>	<u>-</u>	<u>339,587</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES					
	(48,705)	83,942	35,237	(84,788)	(49,551)
OTHER FINANCING SOURCE (USES)					
Bond proceeds	-	2,775,000	2,775,000	(2,775,000)	-
Bond issuance costs	-	(102,000)	(102,000)	-	(102,000)
Payment to refunding agent	-	(3,022,886)	(3,022,886)	3,022,886	-
Transfers in	75,000	-	75,000	(75,000)	-
Transfers in/(out)	-	(75,000)	(75,000)	75,000	-
Total Other Financing Sources (Uses)	<u>75,000</u>	<u>(424,886)</u>	<u>(349,886)</u>	<u>247,886</u>	<u>(102,000)</u>
NET CHANGES IN FUND BALANCES					
	26,295	(340,944)	(314,649)	314,649	
CHANGE IN NET POSITION					
				(151,551)	(151,551)
FUND BALANCES/NET POSITION:					
BEGINNING OF YEAR	<u>49,991</u>	<u>548,793</u>	<u>598,784</u>	<u>(2,684,592)</u>	<u>(2,085,808)</u>
END OF YEAR	<u>\$ 76,286</u>	<u>\$ 207,849</u>	<u>\$ 284,135</u>	<u>\$ (2,521,494)</u>	<u>\$ (2,237,359)</u>

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

SPRUCE MEADOWS METROPOLITAN DISTRICT

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**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
GENERAL FUND
Year Ended December 31, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Property taxes	\$ 99,998	\$ 99,998	\$ 99,998	\$ -
Specific ownership taxes	5,100	5,100	6,475	1,375
Interest income	300	1,000	1,357	357
Transfer funds	21,000	75,000	-	(75,000)
Facility fees	5,000	-	-	-
Total revenues	<u>131,398</u>	<u>181,098</u>	<u>107,830</u>	<u>(73,268)</u>
EXPENDITURES				
Accounting and audit	5,200	3,000	3,000	-
Repair and maintenance	76,000	70,000	55,927	14,073
Insurance	2,600	2,600	4,512	(1,912)
Engineering	1,500	5,200	4,111	1,089
Legal	6,000	17,000	23,691	(6,691)
Management fees	9,600	9,600	9,600	-
Miscellaneous expenses	950	1,150	365	785
Utilities	15,000	15,000	15,059	(59)
Treasurer's fees	1,971	1,463	1,505	(42)
Repay HOA advances	4,000	-	-	-
Repay developer advances	4,000	4,000	4,000	-
Capital improvements	-	51,034	34,765	16,269
Emergency reserve	3,805	5,401	-	5,401
Total expenditures	<u>130,626</u>	<u>185,448</u>	<u>156,535</u>	<u>28,913</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	772	(4,350)	(48,705)	(44,355)
OTHER FINANCING SOURCES (USES)				
Transfers in/(out)	-	-	75,000	75,000
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>75,000</u>	<u>75,000</u>
FUND BALANCE:				
BEGINNING OF YEAR	<u>106</u>	<u>49,991</u>	<u>49,991</u>	<u>-</u>
END OF YEAR	<u>\$ 878</u>	<u>\$ 45,641</u>	<u>\$ 76,286</u>	<u>\$ 30,645</u>

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

SPRUCE MEADOWS METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 1 – DEFINITION OF REPORTING ENTITY

Definition of Reporting Entity

Spruce Meadows Metropolitan District (The District), a quasi-municipal corporation, was organized on May 26, 2004 and is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in the City and County of Broomfield, Colorado. The District was organized to finance, acquire and construct certain public improvements including streets and safety controls, water and storm sewer service, drainage improvements and park and recreation facilities. The District anticipates that all improvements will be dedicated to the City and County of Broomfield, Colorado, except for fence and entry monuments and landscape improvements including irrigation system.

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.

SPRUCE MEADOWS METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

SPRUCE MEADOWS METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Capital Assets

Capital Assets are stated at cost except for those assets contributed which are stated at estimated fair market value at the date of contribution or at the Developer's cost. Depreciation on property that will remain assets of the District is reported on the Statement of Activities as a current charge.

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.

SPRUCE MEADOWS METROPOLITAN DISTRICT

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 revenue 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. \$3,750 of the General Fund balance has been restricted in compliance with this requirement.

The restricted fund balance in the Debt Service Fund in the amount of \$207,849 is to be used exclusively for the future payment of bond principal, interest and related costs.

NOTE 3 - CASH AND INVESTMENTS

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

Cash and investments	\$ 74,837
Restricted investments	<u>234,035</u>
	<u>\$ 308,872</u>

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

Deposits with financial institutions	\$ 28,921
CSAFE	<u>279,951</u>
	<u>\$ 308,872</u>

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

SPRUCE MEADOWS METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

Investments

Credit Risk

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

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. Investments not measured at fair value and not categorized include governmental money market funds (PFM funds Governmental Select series) and money market funds (generally held by Bank Trust Departments in their role as Paying Agent or Trustee), and CSAFE, which record their investments at amortized cost.

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.

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.

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

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>
CSAFE	Less than 60 days	\$ 279,951

SPRUCE MEADOWS METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

CSAFE

As of December 31, 2017, the District had \$279,951 invested in the Colorado Surplus Asset Fund Trust (CSAFE), which is an investment vehicle established by state statute for local government entities to pool surplus funds. The State Securities Commission administers and enforces all State statutes governing CSAFE. The trust is similar to a money market fund, with each share valued at \$1.00. CSAFE may invest in U.S. government treasury securities, U.S. government agency securities, commercial paper and repurchase agreements collateralized with securities valued in excess of the repurchase agreement amount. The maximum maturity allowed for any investment is 365 days. A designated custodial bank provides safekeeping depository services, and substantially all securities owned by CSAFE are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments as owned by CSAFE. CSAFE is rated AAAM by Standard and Poor's.

NOTE 4 – CAPITAL ASSETS

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

Governmental Type activities:	Balance 1/1/2017	Additions	Deletions	Balance 12/31/2017
Capital assets not being depreciated:				
Infrastructure	\$ 1,955,468	\$ -	\$ -	\$ 1,955,468
Total capital asset not being depreciated	<u>1,955,468</u>	<u>-</u>	<u>-</u>	<u>1,955,468</u>
Capital asset being depreciated:				
Fence and entryway monuments	402,000	-	-	402,000
Total capital assets being depreciated	<u>402,000</u>	<u>-</u>	<u>-</u>	<u>402,000</u>
Accumulated Depreciation:				
Fence and entryway monuments	(96,480)	(16,080)	-	(112,560)
Total accumulated depreciation	<u>(96,480)</u>	<u>(16,080)</u>	<u>-</u>	<u>(112,560)</u>
Net capital assets being depreciated	<u>305,520</u>	<u>(16,080)</u>	<u>-</u>	<u>289,440</u>
GOVERNMENT TYPE ASSETS, NET	<u>\$ 2,260,988</u>	<u>\$ (16,080)</u>	<u>\$ -</u>	<u>\$ 2,244,908</u>

SPRUCE MEADOWS METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 4 – Capital Assets – (continued)

The District anticipates transferring all improvements, exclusive of the fence, entryway monuments and landscape improvements including irrigation system, to the City and County of Broomfield. Depreciation expense for the year was \$16,080.

NOTE 5 – LONG-TERM DEBT OBLIGATIONS

The following is a summary of long-term debt obligations as of December 31, 2017:

	<u>Balance</u> <u>1/1/2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2017</u>	<u>Current</u> <u>Portion</u>
Genl. Oblig. LTD Tax 2008 Bonds	\$ 2,750,000	\$ -	\$ 2,750,000	\$ -	\$ -
Operations funding adv	132,650	-	-	132,650	-
Interest on operation advance	17,053	10,479	4,000	23,532	-
Capital projects advance	1,420,965	-	-	1,420,965	-
Interest on capital projects adv	610,876	142,229	-	753,105	-
2017 General Obligation loan	-	2,775,000	80,000	2,695,000	90,000
Total	<u>\$ 4,931,544</u>	<u>\$ 2,927,708</u>	<u>\$ 2,834,000</u>	<u>\$ 5,025,252</u>	<u>\$ 90,000</u>

The District is authorized to issue general obligation bonds totaling \$3,500,000 for the purpose of financing the costs of acquiring, constructing, relocating and installing and completing public improvements within the District.

On March 21, 2017, the District issued a \$2,775,000 General Obligation refunding Loan secured by and payable from pledged revenue, consisting of monies derived from property tax revenue, a portion of the specific ownership taxes and any other legally available monies. The District has covenanted to levy an ad valorem mill levy in an amount sufficient to pay principal and interest on the loan. The Proceeds of the loan along with district available funds were used to establish an escrow fund to fully defease the Districts outstanding 2008 Limited Tax Bonds in the amount of \$2,750,000. The Loan bears interest at 3.3% with interest payable semi annually and principal payable annually on December 1, of each year maturing in 2036.

The District may prepay, in whole or in part, amounts owing under the Note at any time along with a prepayment fee as defined in the note agreement.

The District has no remaining debt authorization.

SPRUCE MEADOWS METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 5 – LONG-TERM DEBT OBLIGATIONS (CONTINUED)

The annual maturity schedule to amortize the 2017 General Obligation Note outstanding as of December 31, 2017 is as follows:

	Principal		Interest		Total
2018	\$ 90,000	\$	88,935	\$	178,935
2019	95,000		85,965		180,965
2020	100,000		82,830		182,830
2021	105,000		79,530		184,530
2022	110,000		76,065		186,065
2023-2027	630,000		322,410		952,410
2028-2032	795,000		208,230		1,003,230
2033-2036	770,000		64,845		834,845
	<u>\$ 2,695,000</u>	\$	<u>1,008,810</u>	\$	<u>3,703,810</u>

Advance and Reimbursement Agreement

The District has entered into an Advance and Reimbursement Agreement with Spruce Meadows Development, Ltd. (the Developer) whereby the Developer agrees to advance funds to the District for construction, maintenance and operating costs. In addition to advancing monies, the Developer has agreed to fund construction costs and contribute those infrastructure assets to the District in exchange for the District's promise to reimburse the Developer for the costs plus interest at a rate of 7% beginning May 26, 2004. The obligation is not to be construed as multiple fiscal year debt and the repayment is and shall be subordinate to any bond indebtedness.

NOTE 6 - 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.

SPRUCE MEADOWS METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 6 - RISK MANAGEMENT (CONTINUED)

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 7 – RELATED PARTIES

Multiple members of the Board of Directors are officers or employees of owners (or affiliated entities) of property within the District. These members may have conflicts of interest with respect to certain transactions which come before the Board.

NOTE 8 - 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.

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.

SPRUCE MEADOWS METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

**NOTE 9 – RECONCILIATION OF *GOVERNMENT-WIDE* AND FUND
FINANCIAL STATEMENTS**

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

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

Capital assets, not depreciated	\$	1,955,468
Capital assets, net of depreciation	\$	289,440
Accrued Interest- Bonds	\$	14,037
Operating Advances Payable	\$	132,650
Interest Payable - Operations	\$	23,532
Capital Advances Payable	\$	1,420,965
Interest Payable – Capital	\$	753,105
Bonds Payable	\$	2,695,000

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 principal	\$	(80,000)
Interest on developer advances	\$	152,708
Depreciation	\$	16,080
Repay developer advances	\$	(4,000)
Bond proceeds	\$	2,775,000
Payment to refunding	\$	3,022,886

Governmental funds report capital outlay as expenditures and advances as revenue. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense and bond proceeds and advances are reflected as debt on the Statement of Net Assets.

SUPPLEMENTAL INFORMATION

SPRUCE MEADOWS METROPOLITAN DISTRICT

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

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Property taxes	\$ 214,068	\$ 214,068	\$ 214,068	\$ -
Specific ownership taxes	7,500	10,000	13,854	3,854
Interest income	<u>1,600</u>	<u>1,800</u>	<u>3,835</u>	<u>2,035</u>
Total revenues	<u>223,168</u>	<u>225,868</u>	<u>231,757</u>	<u>5,889</u>
EXPENDITURES				
Bond principal	40,000	80,000	80,000	-
Bond interest expense	168,438	63,594	63,593	1
Miscellaneous	1,000	8,658	-	8,658
Paying agent fees	-	-	1,000	(1,000)
Treasurer's fees	<u>3,348</u>	<u>3,362</u>	<u>3,222</u>	<u>140</u>
Total expenditures	<u>212,786</u>	<u>155,614</u>	<u>147,815</u>	<u>7,799</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	10,382	70,254	83,942	13,688
OTHER FINANCING SOURCES (USES)				
Bond proceeds	-	2,775,000	2,775,000	-
Bond issuance costs	(2,000)	(106,500)	(102,000)	(4,500)
Payment to refunding agent	-	(3,022,886)	(3,022,886)	-
Transfers in/(out)	<u>-</u>	<u>(75,000)</u>	<u>(75,000)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(2,000)</u>	<u>(429,386)</u>	<u>(424,886)</u>	<u>(4,500)</u>
NET CHANGE IN FUND BALANCE	8,382	(359,132)	(340,944)	18,188
FUND BALANCE:				
BEGINNING OF YEAR	<u>538,054</u>	<u>548,793</u>	<u>548,793</u>	<u>-</u>
END OF YEAR	<u>\$ 546,436</u>	<u>\$ 189,661</u>	<u>\$ 207,849</u>	<u>\$ 18,188</u>

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