

**STARWOOD METROPOLITAN DISTRICT**

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**FINANCIAL STATEMENTS**

**AND**

**INDEPENDENT AUDITOR'S REPORT**

—————

**DECEMBER 31, 2017**

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Office of the State Auditor

July 31, 2018

**FINANCIAL STATEMENTS - 2017**

**STARWOOD METROPOLITAN DISTRICT**

**2017 BOARD OF DIRECTORS**

Kurt Hollinger, President

Rocky Tschappat, Vice President

Ron Garfield, Treasurer

Robert Magoon

Jill Wagner

**ADMINISTRATION**

Meg Haynes, Chief Executive Officer

Mark Asher, District Manager



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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Starwood Metropolitan District

We have audited the accompanying financial statements of the business-type activities and the major fund of the Starwood 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the major fund of the Starwood Metropolitan District, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards

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generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Starwood Metropolitan District's basic financial statements. The budgetary comparison schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

*Calvera Services, PC*

Rangely, Colorado  
July 26, 2018

## MANAGEMENT DISCUSSION AND ANALYSIS

The discussion and analysis of the Starwood Metropolitan District's (the "District") financial performance provides readers with an overall review of the financial activities of the District for the year ended December 31, 2017. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements to enhance their understanding of the District's financial performance.

### FINANCIAL HIGHLIGHTS

- The District's assets exceeded liabilities and deferred inflows of resources by \$4,738,904 at December 31, 2017.
- Total District's cash and investments decreased by \$1,475,368 or 43 percent from 2016.
- The December 31, 2017 Net Position balance is \$54,534 more than the previous year.

### USING THIS ANNUAL REPORT

This Annual report consists of a series of financial statements and notes to those statements. These statements are prepared and organized so the reader can understand the District as a financial whole. The statements then proceed to provide an increasingly detailed look at our specific financial conditions.

### OVERVIEW OF THE DISTRICT'S FINANCIAL STATEMENTS

#### **Fund Financial Statements**

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

The *Statement of Revenues, Expenses, and Changes in Net Position* presents information showing how net position changed during the current year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected service charges and earned but unused vacation leave).

The *Statement of Cash Flows* presents information about the cash receipts and cash payments of the District during the current year. When used with related disclosures and information in the other financial statements, the information provided in this statement should help financial report users assess the District's ability to generate future net cash flows, its ability to meet its obligations as they come due and its need for external financing. It also provides insight into the reasons for differences between operating income and associated cash receipts and payments; and the effects on the District's financial position of its cash and its non-cash investing, capital and related financing transactions during the year.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 13 through 20 of this report.

**Budgetary Comparisons.** The District adopts an annual appropriated budget for the Enterprise Fund. A budgetary comparison statement has been provided for the Enterprise Fund on page 23 through 24 of this report.

## REPORTING THE DISTRICT AS A WHOLE

**Net Position.** As noted earlier, net position may serve over time as a useful indicator of a government's financial position.

The following table provides a summary of the District's net position for 2016 and 2017.

	<b>Governmental Activities</b>	
	<u>2016</u>	<u>2017</u>
<b>Assets</b>		
Current and other assets	\$ 5,136,258	\$ 3,648,162
Capital assets	4,575,423	4,638,685
Total assets	<u>9,711,681</u>	<u>8,286,847</u>
<b>Liabilities</b>		
Current and other liabilities	413,437	385,797
Long-term liabilities	3,245,225	1,693,434
Total liabilities	<u>3,658,662</u>	<u>2,079,231</u>
<b>Deferred Inflows of Resources</b>		
Unearned property taxes	1,358,649	1,468,712
Unearned fines	10,000	-
Total deferred inflows of resources	<u>1,368,649</u>	<u>1,468,712</u>
<b>Net Position</b>		
Net investment in capital assets	1,055,198	2,655,251
Restricted	1,342,061	48,228
Unrestricted	2,287,111	2,035,425
Total net position	<u>\$ 4,684,370</u>	<u>\$ 4,738,904</u>

A significant portion of the District's position represents unrestricted net position of \$2,035,425 which may be used to meet the ongoing obligations to patrons and creditors.

Another significant portion of the District's net position reflects its investment in capital assets. These assets include land, buildings, plant, equipment and construction in progress. These capital assets are used to provide services to patrons; consequently, they are not available for future spending.

An additional \$48,228 of the District's net position represents resources that are subject to external restrictions on how they may be used. The restriction is for the TABOR emergency reserve.

The following table indicates the changes in net position for 2016 and 2017.

	2016	2017
<b>Revenues:</b>		
Program revenues:		
Charge for services	\$ 307,217	\$ 242,915
<b>General revenues:</b>		
General property taxes	1,360,971	1,358,649
Specific ownership tax	44,992	49,692
Investment earnings	11,288	21,901
Other	194,749	69,985
<b>Total revenues</b>	<u>1,919,217</u>	<u>1,743,142</u>
<b>Expenses:</b>		
Operating expenses	1,239,781	1,1140,642
Depreciation	336,114	337,149
Interest expense	103,585	94,272
Treasurer's fees	68,112	68,057
Amortization	12,861	48,488
<b>Total expenses</b>	<u>1,760,453</u>	<u>1,688,608</u>
Increase (decrease) in net position	<u>\$ 158,764</u>	<u>\$ 54,534</u>

The District's net position increased by \$54,534 in 2017. Key elements of this increase are as follows:

Construction fines were received for a total of \$50,000.

### **FINANCIAL ANALYSIS OF THE DISTRICT'S FUND**

Information about the District's operations begins on page 9. This fund is accounted for using the accrual basis of accounting.

As of December 31, 2017, the total net position balance of the District's proprietary fund was \$4,738,904. Approximately 43 percent of this consists of unrestricted fund equity, which is available as working capital and for current spending in accordance with the purposes of the District. The remainder of the net position is reserved to indicate that it is not available for new spending because it is committed for the following purpose: (1) a state-Constitution mandated emergency reserve (\$48,228) and (2) net investment in capital assets (\$2,655,251). The District had revenues of \$1,743,142 and expenses of \$1,688,608.

### **BUDGETARY HIGHLIGHTS**

The District's budget is prepared according to Colorado statutes.

#### **2017 Fund Budget**

	<u>Original Budget</u>	<u>Amend- Ments</u>	<u>Final Budget</u>	<u>Actual</u>
Beginning Fund Balance	\$ 2,215,205	\$ -	\$ 2,215,205	\$ 4,684,370
Revenues and other financing sources	1,584,956	-	1,584,956	1,743,145
Expenditures and other financing uses	(2,129,594)	-	(2,129,594)	(3,237,909)
Ending Fund Balance	<u>\$ 1,670,567</u>	<u>\$ -</u>	<u>\$ 1,670,567</u>	<u>\$ 3,189,606</u>

Actual revenues and other financing sources were \$158,189 more than budgeted revenues and other financing sources. Road impact fees were \$56,634 more than budgeted and the receipt of construction fines of \$50,000, which were not budgeted for and were the main contributors for the difference.

Actual expenditures and other financing uses were \$1,108,315 more than budgeted expenditures and other financing uses. Debt principal payments were \$1,350,000 more than budgeted and was the main contributor for the difference.

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets.** The District's investment in capital assets for its governmental activities as of December 31, 2017 totaled \$2,655,251 (net of accumulated depreciation and related debt). This investment includes all land, buildings, plant, equipment, and construction in progress. The total increase in investment in capital assets for the current year was \$1,600,053 or 152 percent.

The District uses the straight-line depreciation method under GASB 34 for its capital assets, except for land, water rights, and construction in progress which is not depreciated.

Major purchases for the year include the purchase of a 2017 Ford F-550 for \$75,774, the construction and equipment for the Spring Well pump project of \$86,696, and fire station construction in progress of \$115,509.

**Long-term Debt.** During the year ended December 31, 2017, the District had three outstanding debt obligations totaling \$1,890,000. See Note 5 of the financial statements for more information on long-term debt.

### **ECONOMIC FACTORS AND OTHER MATTERS**

**Other Matters.** The following factors are expected to have a significant effect on the District's financial position and results of operations and were taken into account in developing the 2018 budget:

- Issuing bonds of \$1,550,000 for the construction of a fire station.
- Start the construction of a fire station.

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided or for additional financial information should be addressed to the District, 121 Stewart Drive, Aspen, Colorado 81611.

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**FINANCIAL STATEMENTS**

**STARWOOD METROPOLITAN DISTRICT**

**STATEMENT OF NET POSITION**

December 31, 2017

<b>ASSETS</b>	
Cash	\$ 505,137
Investments	1,469,651
Accounts receivable	96,100
Property taxes receivable	1,468,712
Prepaid expenses	42,359
Bond issuance costs, net of accumulated amortization	66,203
Capital assets, nondepreciable	1,195,379
Capital assets, net	<u>3,443,306</u>
<b>TOTAL ASSETS</b>	<u><b>8,286,847</b></u>
<b>LIABILITIES</b>	
Accounts payable	48,026
Accrued interest payable	3,107
Accrued expenses	44,664
Noncurrent liabilities	
Due within one year	290,000
Due in more than one year	<u>1,693,434</u>
<b>TOTAL LIABILITIES</b>	<u><b>2,079,231</b></u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unearned revenue - property taxes	<u>1,468,712</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u><b>1,468,712</b></u>
<b>NET POSITION</b>	
Net investment in capital assets	2,655,251
Restricted for Tabor emergencies	48,228
Unrestricted	<u>2,035,425</u>
<b>TOTAL NET POSITION</b>	<u><u><b>\$ 4,738,904</b></u></u>

The accompanying "Notes to Financial Statements" are an integral part of this statement.

**STARWOOD METROPOLITAN DISTRICT**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
For the Year Ended December 31, 2017

OPERATING REVENUE	
Charges for services	<u>\$ 242,915</u>
OPERATING EXPENSES	
Personnel costs	542,945
Other operating costs	235,038
General and administrative	362,659
Depreciation	<u>337,149</u>
TOTAL OPERATING EXPENSES	<u>1,477,791</u>
OPERATING INCOME (LOSS)	<u>(1,234,876)</u>
NON-OPERATING REVENUES (EXPENSES)	
Property taxes (net)	1,290,592
Specific ownership tax	49,692
Penalties and interest on delinquent taxes	2,509
Interest income	21,901
Other income	12,500
Fines	50,000
Gain on sale of assets	4,976
Interest expense	(94,272)
Amortization of bond issue costs	<u>(48,488)</u>
NET NON-OPERATING REVENUES (EXPENSES)	<u>1,289,410</u>
CHANGE IN NET POSITION	54,534
NET POSITION, BEGINNING OF YEAR	<u>4,684,370</u>
NET POSITION, END OF YEAR	<u>\$ 4,738,904</u>

The accompanying "Notes to Financial Statements" are an integral part of this statement.

**STARWOOD METROPOLITAN DISTRICT**

STATEMENT OF CASH FLOWS  
For the Year Ended December 31, 2017

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash received from customers	\$ 345,250
Cash payments to suppliers for goods and services	(660,796)
Cash payments to employees for services	(545,109)
<b>NET CASH (USED) BY OPERATING ACTIVITIES</b>	<u><u>(860,655)</u></u>
 <b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
Property tax (net of treasurer fees)	1,290,592
Specific ownership tax	49,692
Penalties and interest on delinquent taxes	2,509
Other income	12,500
Fines	40,000
<b>NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES</b>	<u><u>1,395,293</u></u>
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchase of fixed assets	(414,935)
Principal paid on debt	(1,520,000)
Interest paid on debt	(116,473)
<b>NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u><u>(2,051,408)</u></u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of investments	(11,416)
Sale of capital assets	19,500
Investment income	21,901
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u><u>29,985</u></u>
 <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	 <u><u>(1,486,785)</u></u>
 <b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	 <u><u>1,991,922</u></u>
 <b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	 <u><u>\$ 505,137</u></u>
 <b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH (USED) BY OPERATING ACTIVITIES</b>	
Operating income (loss)	\$ (1,234,876)
Adjustments to reconcile operating income (loss) to Net cash provided (used) by operating activities:	
Depreciation	337,149
Changes in assets and liabilities:	
Decrease (increase) in accounts receivable	102,335
Decrease (increase) in prepaids	(28,034)
Increase (decrease) in accounts payable	(35,065)
Increase (decrease) in accrued expenses	(2,164)
<b>NET CASH (USED) BY OPERATING ACTIVITIES</b>	<u><u>\$ (860,655)</u></u>

The accompanying "Notes to Financial Statements" are an integral part of this statement.

**NOTES TO THE FINANCIAL STATEMENTS**

# STARWOOD METROPOLITAN DISTRICT

## NOTES TO FINANCIAL STATEMENTS December 31, 2017

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying basic financial statements of the Starwood Metropolitan District (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to government units. The following is a summary of the more significant policies consistently used in the preparation of the financial statements.

#### **A. Financial Reporting Entity**

The District was originally formed on September 16, 1983 as the Starwood Water District, a political subdivision of the State of Colorado. On March 26, 2001, the Starwood Water District was converted to a metropolitan district, a political subdivision of the State of Colorado, to provide parks and recreation, safety protection, street improvements, water and other metropolitan services. The District is governed by an elected five-member board.

These financial statements present only the District after considering if any potential component units should be included in the District's reporting entity based on their operational or financial relationships with the District.

#### **B. Measurement focus, basis of accounting, and financial statement presentation**

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The District uses the accounting principles applicable to enterprise funds. The Enterprise Fund is accounted for using the accrual basis of accounting. Its revenues are recognized when they are earned, and its expenses are recognized when they are incurred.

The District distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District are charges to customers for sales and services. The District recognizes the portion of tap fees intended to recover the cost of connecting new customers to the system as capital contribution. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

#### **C. Fixed Assets**

Capital assets are defined by the District as assets with an initial, individual cost of \$1,000 or more. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

# STARWOOD METROPOLITAN DISTRICT

## NOTES TO FINANCIAL STATEMENTS December 31, 2017

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

#### C. Fixed Assets, continued

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. In 2017 no interest was capitalized.

Property, plant, and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

	<u>Years</u>
Water system	40
Building and improvements	25
Equipment	5
Infrastructure	20

#### D. Property Taxes

Property taxes are levied on December 22 of each year and attach as an enforceable lien on property as of January 1. Taxes are due as of January 1 of the following year and are payable in full by June 15 if paid in installments, or April 30 with a single payment. Taxes are delinquent as of June 16. If the taxes are not paid within subsequent statutory periods, the property will be sold at public auction. The County bills and collects the property taxes and remits collections to the District on a monthly basis. No provision has been made for uncollected taxes, in that the District's experience indicates that all material amounts will be collected and paid to the District.

#### E. Budgets and Budgetary Accounting

The District's directors follow these procedures in establishing the budgetary data reflected in the financial statements:

Prior to October 15, the office manager submits to the District's directors a proposed operating budget for the year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.

Public hearings are conducted to obtain the taxpayers' comments.

Prior to December 15 the budget is legally enacted through passage of a resolution.

Formal budgetary integration is employed as a management control device during the year.

The budget for the Enterprise Fund is adopted on a basis which differs from GAAP in that outlays for debt retirement principal and acquisitions of fixed assets are included as expenses, and depreciation is excluded from expenses.

Appropriations lapse at the end of each calendar year.

The District's directors may authorize supplemental appropriations during the year. No supplemental appropriation was made during the year ended December 31, 2017.

Actual expenditures exceeded budget amounts by \$1,108,315, which may be a violation of Colorado State Statutes.

# STARWOOD METROPOLITAN DISTRICT

## NOTES TO FINANCIAL STATEMENTS December 31, 2017

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

#### F. Compensated Absences

The District allows full-time employees to accrue vacation at a rate based on years of service and on the time actually worked. Unused vacation cannot be carried over to the next year. Therefore, unused vacation that is earned but not used, up to 40 hours, by December 31, is paid out during the first quarter of the following year. Additionally, unused accrued sick leave and personal time are paid out during the first quarter of the following year.

#### G. Cash Equivalents

For purposes of the statement of cash flows the District considers all investments in highly liquid debt instruments (including restricted assets) with a maturity of three months or less, to be cash equivalents.

#### H. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### I. Prepaid Items

Payments made to vendors for services representing costs applicable to future accounting periods are recorded as prepaid items.

#### J. Accounts Receivable

The District considers accounts receivable to be fully collectible; accordingly, no allowance for uncollectible accounts is maintained. If amounts become uncollectible, they are charges to operations when that determination is made. Generally accepted accounting principles require that the allowance method be used to reflect bad debts. However, the effect of the use of the direct write-off method is not materially different from the results that would have been obtained had the allowance method been followed.

#### K. Deferred Charges

Deferred charges represent bond issuance costs, which are amortized on the straight-line method over the life of the related bond issue.

### NOTE 2 - CASH AND INVESTMENTS

The District's bank accounts and certificates of deposit at year-end were entirely covered by federal depository insurance or by collateral held by the District's custodial banks under provisions of the Colorado Public Deposit Protection Act.

The Colorado Public Deposit Protection Act requires financial institutions to pledge collateral having a market value of at least 102% of the aggregate public deposits not insured by federal depository insurance. Eligible collateral included municipal bonds, U.S. government securities, mortgage, and deeds of trust.

State statutes authorized the District to invest in obligation of the U.S. Treasury and U.S. agencies, obligations of the State of Colorado or of any county, school, authority, and certain towns and cities therein, notes or bonds secured by insured mortgages or trust deeds, obligations of national mortgage associations, and certain repurchase agreements.

**STARWOOD METROPOLITAN DISTRICT**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2017

**NOTE 2 - CASH AND INVESTMENTS, Continued**

The District's investment policy is not more restrictive than State statutes. The District's investments are concentrated in local government investment pools, U.S. government and agency securities, and bank CDs.

Colorado Revised Statutes limit investment maturities to five years or less from the date of purchase. This limit on investment maturities is a means of limiting exposure to fair value arising from increasing interest rates.

Investments for the District are reported at market value. Investments held are as follows:

<u>December 31, 2017</u>	<u>Cost</u>	<u>Market Value</u>
COLOTRUST	\$ 1,469,651	\$ 1,469,651
Total	<u>\$ 1,469,651</u>	<u>\$ 1,469,651</u>

The District has invested \$1,469,651 in the Colorado Government Liquid Asset Trust (COLOTRUST), an investment vehicle established for local government entities in Colorado to pool surplus funds. COLOTRUST operated similarly to a money market fund and each share is equal in value to \$1.00. Investments of COLOTRUST consist of U.S. Treasury bills, notes and note strips and repurchase agreements collateralized by U.S. Treasury securities. A designated custodial bank provides safekeeping and depository services to COLOTRUST in connection with the direct investment and withdrawal function of COLOTRUST. Substantially all securities owned by COLOTRUST are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by COLOTRUST. At December 31, 2017 the District's investment in the COLOTRUST was rated AAAM by Standard & Poor's.

A summary of cash and investments is as follows:

Cash and cash equivalents	
Cash with County	\$ 7,494
Cash deposits in bank	<u>497,643</u>
Total cash and cash equivalents	<u>505,137</u>
Investments	
COLOTRUST	<u>1,469,651</u>
Total investments	<u>1,469,651</u>
Total cash and investments	<u>\$1,974,788</u>
Cash and cash equivalents	\$ 505,137
Investments	<u>1,469,651</u>
Total cash and investments	<u>\$1,974,788</u>

**STARWOOD METROPOLITAN DISTRICT**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2017

**NOTE 3 - PROPERTY TAXES**

**Revenue Recognized in 2017**

Local property taxes levied in 2016 and collected in 2017 are recognized as revenue in these financial statements as shown below:

	Assessed Valuation	Mill Levy	Amount of Taxes		Percent Collected
			Levied	Collected	
Enterprise Fund	\$ 62,458,030	21.753	\$1,358,649	\$1,358,649	100.00%

**Property Taxes Receivable and Deferred Revenues**

Local Property taxes levied in 2017 but not collectible until 2018 are shown as property taxes receivable and deferred revenue.

	Assessed Valuation	Mill Levy	Estimated Percent Collectible	Property Taxes Receivable	Deferred Revenue
Enterprise Fund	\$ 57,35,640	25.527	100.0%	\$ 1,468,712	\$ 1,468,712

**NOTE 4 - CAPITAL ASSETS**

A summary of changes in capital assets for the year ended December 31, 2017 is as follows:

	January 1, 2017	Additions	Deletions	December 31, 2017
Capital assets not being depreciated:				
Land	\$ 45,229	\$ -	\$ -	\$ 45,229
Construction in progress	-	115,509	-	115,509
Water rights	1,032,373	2,268	-	1,034,641
Total assets not being depreciated	1,077,602	117,777	-	1,195,379
Capital assets being depreciated:				
Water system	3,489,870	186,440	-	3,676,310
Building and improvements	2,062,840	-	-	2,062,840
Equipment	520,840	110,718	(46,800)	584,758
Infrastructure	2,089,360	-	-	2,089,360
Total assets being depreciated	8,162,910	297,158	(46,800)	8,413,268
Less accumulated depreciation:				
Water system	(2,399,795)	(118,137)	-	(2,517,932)
Building and improvements	(627,951)	(82,813)	-	(710,764)
Equipment	(397,609)	(31,189)	32,276	(396,522)
Infrastructure	(1,239,734)	(105,010)	-	(1,344,744)
Total accumulated depreciation	(4,665,089)	(337,149)	32,276	(4,969,962)
Total assets being depreciated, net	3,497,821	(39,991)	(14,524)	3,443,306
Business-type activities capital assets, net	\$ 4,575,423	\$ (268,900)	\$ -	\$ 4,575,423

**STARWOOD METROPOLITAN DISTRICT**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2017

**NOTE 5 - CHANGES LONG-TERM DEBT**

A summary of changes in long-term debt during 2017 follows:

	January 1, 2017	Additions	Deletions	December 31, 2017	Due within one year
Business-type activities:					
Bonds payable, 2008	\$1,350,000	-	\$1,350,000	\$ -	-
Bonds payable, 2012	790,000	-	160,000	630,000	165,000
Bonds payable, 2016	1,270,000	-	10,000	1,260,000	125,000
Bond premium, 2008	4,555	-	4,555	-	-
Bond premium, 2012	15,936	-	3,187	12,749	-
Bond premium, 2016	89,734	-	9,049	80,685	-
Business-type activities long-term liabilities	<u>\$3,520,225</u>	\$ -	<u>\$1,536,791</u>	<u>\$ 1,983,434</u>	<u>\$ 290,000</u>

Series 2008

The District issued its General Obligation Bonds, Series 2008, dated March 20, 2008, in the amount of \$2,000,000. The indebtedness was approved by the electorate on November 2006, for the purpose of financing water improvements and construction of an office/storage/meeting room facility.

The bonds bear interest from 4.00% to 4.80% per annum and mature on December 1, 2026. Principal is payable annually on December 1 starting in 2010, with interest payable semiannually on June 1 and December 1. The bonds were paid in full in 2017.

Series 2012A

The District issued its General Obligation Refunding Bonds, Series 2012A, dated October 4, 2012, in the amount of \$1,210,000. The indebtedness was approved by the electorate on May 2012, for the purpose of refunding certain District general obligation bonds.

The bonds bear interest of 2.00% per annum and mature on December 1, 2021. Principal is payable annually on December 1 starting in 2014, with interest payable semiannually on June 1 and December 1.

Series 2012A, continued

The debt service requirements for the General Obligation Refunding Bonds Series 2012A issued in 2012 are as follows:

Year ending December 31,	Principal	Interest	Total
2018	\$ 165,000	\$ 12,600	\$ 177,600
2019	170,000	9,300	179,300
2020	170,000	5,900	175,900
2021	<u>125,000</u>	<u>2,500</u>	<u>127,500</u>
	630,000	30,300	660,300
Premium	<u>12,749</u>	<u>(12,749)</u>	<u>-</u>
	<u>\$ 642,749</u>	<u>\$ 17,551</u>	<u>\$ 660,300</u>

**STARWOOD METROPOLITAN DISTRICT**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2017

**NOTE 5 - CHANGES LONG-TERM DEBT, Continued**

Series 2016

The District issued its General Obligation Refunding Bonds, Series 2016, dated March 23, 2016, in the amount of \$1,300,000. The indebtedness was approved by the electorate on February 2016, for the purpose of refunding certain District general obligation bonds.

The bonds bear interest of 2.00% to 3.00% per annum and mature on December 1, 2026. Principal is payable annually on December 1 starting in 2016, with interest payable semiannually on June 1 and December 1.

The debt service requirements for the General Obligation Refunding Bonds Series 2016 issued in 2016 are as follows:

<u>Year ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 125,000	\$ 37,800	\$ 162,800
2019	130,000	34,050	164,050
2020	130,000	30,150	160,150
2021	135,000	26,250	161,250
2022	135,000	22,200	157,200
2023-2026	<u>605,000</u>	<u>45,900</u>	<u>650,900</u>
	1,260,000	196,350	1,456,350
Premium	<u>80,685</u>	<u>(80,685)</u>	<u>-</u>
	<u>\$ 1,340,685</u>	<u>\$ 115,665</u>	<u>\$ 1,456,350</u>

**NOTE 6 – RETIREMENT BENEFITS**

Security guards, based on semiannual performance reviews, are eligible for a \$1,000 bonus to be placed in a SIMPLE IRA plan. District matches dollar for dollar up to additional \$1,000 for every dollar contributed by the guards. Limit is \$1,000 per year for bonus and \$1,000 for matching contributions per guard. For the year ended December 31, 2017, the District contributed \$5,000. The District also contributed \$2,000 to the Manager’s retirement fund and \$2,000 to the Secretary’s retirement fund.

**NOTE 7 - BUDGETARY - GAAP REPORTING RECONCILIATION**

The accompanying schedule presents comparisons of the legally adopted budget with actual data on a budgetary basis for the Enterprise Fund. Because accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with GAAP, a reconciliation of resultant basis, timing, perspective and entity differences in the revenues under expenditures for the year ended December 31, 2017, is presented as follows:

Net revenues over (under) expenses (NON-GAAP basis) (Page 24)	\$ (1,494,764)
Less	
Depreciation	( 337,149)
Amortization	( 48,488)
Add	
Bond principle payments	1,520,000
Capital outlay	<u>414,935</u>
Net revenues over (under) expenses (GAAP basis) (Page 10)	<u>\$ 54,534</u>

## STARWOOD METROPOLITAN DISTRICT

### NOTES TO FINANCIAL STATEMENTS

December 31, 2017

#### **NOTE 8 - CONTINGENCIES**

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20, commonly known as the Taxpayer's Bill of Rights (TABOR). TABOR contains revenue, spending, tax and debt limitations which apply to the State of Colorado and local governments. TABOR requires, with certain exceptions, voter approval for any increase in mill levy or tax rates, new taxes, or creation of multi-year debt. Revenue in excess of the fiscal year spending limit must be refunded in the next fiscal year unless voters approve retention of such revenue. The amendment also requires that reserves be established for declared emergencies, with 3% of fiscal year spending required in 1995 and thereafter.

The District has no authorized but unissued debt subject to the amendment's limitation. Based on fiscal year spending for 2017, \$48,228 of the year end fund equity in the Proprietary Fund has been reserved for emergencies.

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

On November 6, 2001, a majority of the District's electors authorized the District to collect and spend or retain in a reserve all currently levied taxes and other revenue of the District without regard to any limitations under TABOR. The election is effective only for years beginning January 1, 2002, and thereafter.

#### **NOTE 9 - RISK MANAGEMENT**

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. Claims made against the Starwood Metropolitan District and losses incurred by the District are covered by commercial insurance for all major areas. There have been no significant reductions in insurance coverage in the current year and settlement amounts, if any, have not exceeded insurance coverage for the last three years.

The District participated in the Western Slope Health Care Group for employee health and accident coverage. The plan is administered by Intercare Health Plans in Englewood, Colorado. The plan provides coverage up to a maximum of \$25,000 for each claim, with commercial insurance providing coverage in excess of this limit.

#### **NOTE 10 - SUBSEQUENT EVENTS**

The District has evaluated subsequent events through July 26, 2018, the date at which the financial statements were available to be issued, and determined that an event has occurred that requires disclosure. In March of 2018, General Obligation Bonds, Series 2018 of \$1,550,000 were issued. Semi-annual payments of principal and interest of \$39,288 will be due June 1 and December 1, commencing June 1, 2018 and will mature March 1, 2048. The bonds will assume a 3% rate of interest through March 1, 2038. From March 1, 2038 to the maturity date of March 1, 2048, the bonds will bear interest at a per annum rate determined by adding 300 basis points to the Index Rate as determined on March 1, 2038 but will not exceed a 5% rate of interest.

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**SUPPLEMENTARY INFORMATION**

**STARWOOD METROPOLITAN DISTRICT**

**BUDGETARY COMPARISON SCHEDULE  
For the Year Ended December 31, 2017**

	Budget	
	Original	Final
<b>REVENUES</b>		
Water sales	\$ 140,000	\$ 140,000
Road impact fees	30,000	30,000
Property taxes	1,358,656	1,358,656
Specific ownership tax	40,000	40,000
Penalties and interest on delinquent taxes	-	-
Interest income	1,300	1,300
Tap fees	15,000	15,000
Miscellaneous income	-	-
Construction fine	-	-
<b>TOTAL REVENUES</b>	<b>1,584,956</b>	<b>1,584,956</b>
<b>EXPENSES</b>		
Operating		
Salaries	91,982	91,982
Employee benefits	33,895	33,895
Insurance	33,077	33,077
Supplies and expenses	614,700	614,700
Security	363,706	363,706
Purchased water	62,000	62,000
Total Operating	1,199,360	1,199,360
General and Administrative		
Salaries	146,914	146,914
Employee benefits	58,231	58,231
Supplies and expenses	141,000	141,000
Treasurers fees	67,933	67,933
Total General and Administrative	414,078	414,078
Debt Service		
Principal	170,000	170,000
Interest	163,656	163,656
Bond fees	-	-
Total Debt Service	333,656	333,656
Capital Outlay	182,500	182,500
<b>TOTAL EXPENSES</b>	<b>2,129,594</b>	<b>2,129,594</b>
<b>NET CHANGE IN NET POSITION</b>	(544,638)	(544,638)
<b>NET POSITION, BEGINNING OF YEAR</b>	<b>2,215,205</b>	<b>2,215,205</b>
<b>NET POSITION, END OF YEAR</b>	<b>\$ 1,670,567</b>	<b>\$ 1,670,567</b>
<b>RECONCILIATION FROM BUDGET BASIS EXPENDITURES (NON-GAAP) TO GAAP</b>		
Add:		
Capital outlay		
Principal payment		
Subtract:		
Depreciation		
Amortization		
<b>NET POSITION, END OF YEAR GAAP BASIS</b>		

Actual Amounts	Variance from final budget
\$ 153,531	\$ 13,531
86,634	56,634
1,358,649	(7)
49,692	9,692
2,509	2,509
21,901	20,601
2,750	(12,250)
17,479	17,479
50,000	50,000
<u>1,743,145</u>	<u>158,189</u>
109,007	(17,025)
32,475	1,420
33,759	(682)
173,556	441,144
357,152	6,554
61,482	518
<u>767,431</u>	<u>431,929</u>
153,039	(6,125)
54,870	3,361
164,507	(23,507)
68,058	(125)
<u>440,474</u>	<u>(26,396)</u>
1,520,000	(1,350,000)
94,272	69,384
797	(797)
<u>1,615,069</u>	<u>(1,281,413)</u>
<u>414,935</u>	<u>(232,435)</u>
<u>3,237,909</u>	<u>(1,108,315)</u>
(1,494,764)	(950,126)
<u>4,684,370</u>	<u>2,469,165</u>
3,189,606	<u>\$ 1,519,039</u>
414,935	
1,520,000	
(337,149)	
<u>(48,488)</u>	
<u>\$ 4,738,904</u>	

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