

STONEGATE VILLAGE METROPOLITAN DISTRICT

Financial Statements

Year Ended December 31, 2017

with

Independent Auditors' Report

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July 25, 2018

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Board of Directors
Stonegate Village Metropolitan District
Douglas County, Colorado

Independent Auditors' Report

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Stonegate Village Metropolitan District (the "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 that 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, business-type activities, and each major fund of Stonegate Village Metropolitan District as of December 31, 2017, and the respective changes in financial position and cash flows for the year ended December 31, 2017 in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that the budgetary comparison for information on pages 27 and 28 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 an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. The required supplementary information has been subjected to the auditing procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the 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 basic financial statements as a whole.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's financial statements as a whole. The supplemental 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 supplemental 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.

Stratagem PC
Certified Public Accountants

Lakewood, Colorado

May 16, 2018

STONEGATE VILLAGE METROPOLITAN DISTRICT

STATEMENT OF NET POSITION

December 31, 2017

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
ASSETS			
CURRENT ASSETS			
Cash and investments	\$ 2,687,900	\$ 6,541,066	\$ 9,228,966
Cash and investments - restricted	723,484	3,883,601	4,607,085
Accounts receivable - customer	166,520	673,216	839,736
Accounts receivable -county treasurer	15,551	-	15,551
Property taxes receivable	2,215,575	-	2,215,575
Prepaid expense	83,735	-	83,735
Prepaid bond insurance	-	104,901	104,901
Total Current Assets	<u>5,892,765</u>	<u>11,202,784</u>	<u>17,095,549</u>
CAPITAL ASSETS			
Capital assets, net of accumulated depreciation	<u>13,495,709</u>	<u>44,163,622</u>	<u>57,659,331</u>
Total Assets	<u>19,388,474</u>	<u>55,366,406</u>	<u>74,754,880</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on refunding	<u>1,460,830</u>	-	<u>1,460,830</u>
Total deferred outflows of resources	<u>1,460,830</u>	-	<u>1,460,830</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	191,391	758,318	949,709
Accrued bond interest payable	47,447	92,289	139,736
Other liabilities	1,910	-	1,910
Bonds payable, due within one year	<u>1,920,000</u>	<u>515,000</u>	<u>2,435,000</u>
Total Current Liabilities	<u>2,160,748</u>	<u>1,365,607</u>	<u>3,526,355</u>
LONG-TERM LIABILITIES			
Bonds payable, net of current portion	<u>19,530,000</u>	<u>26,114,216</u>	<u>45,644,216</u>
Total Liabilities	<u>21,690,748</u>	<u>27,479,823</u>	<u>49,170,571</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred property taxes	<u>2,215,575</u>	-	<u>2,215,575</u>
Total deferred inflows of resources	<u>2,215,575</u>	-	<u>2,215,575</u>
NET POSITION			
Net investment in capital assets	(7,954,291)	17,534,406	9,580,115
Restricted for:			
Emergency reserve	2,058	-	2,058
Debt service	677,692	-	677,692
Water resources	2,634,495	-	2,634,495
Unrestricted:	<u>1,583,027</u>	<u>10,352,177</u>	<u>11,935,204</u>
Total Net Position (Deficit)	<u>\$ (3,057,019)</u>	<u>\$ 27,886,583</u>	<u>\$ 24,829,564</u>

The notes to the financial statements are an integral part of these statements.

STONEGATE VILLAGE METROPOLITAN DISTRICT

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2017

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type	
					Activities	Activities
Primary Government:						
Governmental Activities:						
General government	\$ 728,937	\$ -	\$ -	\$ (728,937)	\$ -	\$ (728,937)
Landscape and recreation	1,204,205	1,099,518	39,957	(64,730)	-	(64,730)
Interest and related costs on long-term debt	945,104	-	-	(945,104)	-	(945,104)
Total Governmental Activities	<u>2,878,246</u>	<u>1,099,518</u>	<u>39,957</u>	<u>(1,738,771)</u>	<u>-</u>	<u>(1,738,771)</u>
Business-Type Activities:						
Water	4,108,965	3,275,624	-	-	(833,341)	(833,341)
Sewer	3,102,746	2,517,306	-	-	(585,440)	(585,440)
Total Business-Type Activities	<u>7,211,711</u>	<u>5,792,930</u>	<u>-</u>	<u>-</u>	<u>(1,418,781)</u>	<u>(1,418,781)</u>
Total	<u>\$ 10,089,957</u>	<u>\$ 6,892,448</u>	<u>\$ 39,957</u>	<u>\$ (1,738,771)</u>	<u>\$ (1,418,781)</u>	<u>\$ (3,157,552)</u>
General Revenues:						
Property taxes				2,118,181	-	2,118,181
Specific ownership taxes				232,160	-	232,160
Reimbursed expenses				-	29,460	29,460
Net investment income				32,398	74,812	107,210
Sustainability fees				817,486	-	817,486
Tap fees				-	943,190	943,190
Other revenues				50,568	17,453	68,021
Total General Revenues				<u>3,250,793</u>	<u>1,064,915</u>	<u>4,315,708</u>
Change in Net Position				1,512,022	(353,866)	1,158,156
Net Position						
Beginning				<u>(4,569,041)</u>	<u>28,240,449</u>	<u>23,671,408</u>
Ending				<u>\$ (3,057,019)</u>	<u>\$ 27,886,583</u>	<u>\$ 24,829,564</u>

The notes to the financial statements are an integral part of these statements.

STONEGATE VILLAGE METROPOLITAN DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2017

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Special Revenue</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and investments	\$ -	\$ -	\$ -	\$ 2,687,900	\$ 2,687,900
Cash and investments - restricted	-	723,484	-	-	723,484
Accounts receivable - customer	166,520	-	-	-	166,520
Accounts receivable - county treasurer	446	15,105	-	-	15,551
Property taxes receivable	63,528	2,152,047	-	-	2,215,575
Prepaid expense	83,735	-	-	-	83,735
Due to/from other funds	(730)	730	-	-	-
Total Assets	<u>\$ 313,499</u>	<u>\$ 2,891,366</u>	<u>\$ -</u>	<u>\$ 2,687,900</u>	<u>\$ 5,892,765</u>
LIABILITIES					
Accounts payable	\$ 123,806	\$ 14,180	\$ -	\$ 53,405	\$ 191,391
Community Center payable	1,910	-	-	-	1,910
Total Liabilities	<u>125,716</u>	<u>14,180</u>	<u>-</u>	<u>53,405</u>	<u>193,301</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred property taxes	63,528	2,152,047	-	-	2,215,575
Total Deferred Inflows of Resources	<u>63,528</u>	<u>2,152,047</u>	<u>-</u>	<u>-</u>	<u>2,215,575</u>
FUND BALANCES:					
Nonspendable:					
Prepays	83,735	-	-	-	83,735
Restricted for:					
Emergency reserve	2,058	-	-	-	2,058
Debt service	-	725,139	-	-	725,139
Water resources	-	-	-	2,634,495	2,634,495
Assigned:					
Operations and maintenance	38,462	-	-	-	38,462
Total Fund Balance	<u>124,255</u>	<u>725,139</u>	<u>-</u>	<u>2,634,495</u>	<u>3,483,889</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 313,499</u>	<u>\$ 2,891,366</u>	<u>\$ -</u>	<u>\$ 2,687,900</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds 13,495,709

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds (21,450,000)

Loans payable (47,447)

Accrued interest on bonds payable

The funds report and bond premiums as expenditures at the time the costs are incurred, but the statement of net position reports these costs as deferred assets and amortizes the costs over the life of the bonds

Bond refunding loss - net 1,460,830

Net Position (Deficit) of Governmental Activities \$ (3,057,019)

The notes to the financial statements are an integral part of these statements.

STONEGATE VILLAGE METROPOLITAN DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the Year Ended December 31, 2017

	<u>General</u>	<u>Debt Service</u>	<u>Capital Project</u>	<u>Special Revenue</u>	<u>Total</u>
REVENUES					
Property taxes	\$ 60,736	\$ 2,057,445	\$ -	\$ -	\$ 2,118,181
Specific ownership taxes	6,657	225,503	-	-	232,160
Park and recreation fees	1,008,520	-	-	-	1,008,520
Conservation trust fund	39,957	-	-	-	39,957
Community Center fees	36,624	54,374	-	-	90,998
Sustainability fees	-	-	-	817,486	817,486
Miscellaneous income	47,240	-	-	3,328	50,568
Interest income	715	15,773	-	15,910	32,398
Total Revenues	<u>1,200,449</u>	<u>2,353,095</u>	<u>-</u>	<u>836,724</u>	<u>4,390,268</u>
EXPENDITURES					
General government:					
Administration	84,074	30,880	-	189,859	304,813
Parks and recreation	1,204,205	-	-	-	1,204,205
Debt service:					
Principal	-	1,810,000	-	-	1,810,000
Interest	-	764,609	-	-	764,609
Total Expenditures	<u>1,288,279</u>	<u>2,605,489</u>	<u>-</u>	<u>189,859</u>	<u>4,083,627</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES					
	(87,830)	(252,394)	-	646,865	306,641
OTHER FINANCING SOURCES (USES)					
Transfer from other funds	-	123,053	-	-	123,053
Transfer (to) other funds	-	-	-	(123,053)	(123,053)
Total Other Financing Sources (Uses)	<u>-</u>	<u>123,053</u>	<u>-</u>	<u>(123,053)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES					
	(87,830)	(129,341)	-	523,812	306,641
FUND BALANCE:					
BEGINNING OF YEAR	<u>212,085</u>	<u>854,480</u>	<u>-</u>	<u>2,110,683</u>	<u>3,177,248</u>
END OF YEAR	<u>\$ 124,255</u>	<u>\$ 725,139</u>	<u>\$ -</u>	<u>\$ 2,634,495</u>	<u>\$ 3,483,889</u>

The notes to the financial statements are an integral part of these statements.

STONEGATE VILLAGE METROPOLITAN DISTRICT

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

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

Net change in fund balances - Total governmental funds \$ 306,641

Governmental funds report capital outlays as expenditures. In the statement of activities, capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense the allocation of the cost of any depreciable asset over the estimated useful lives of the asset. Therefore, this is the amount of capital outlay, net of depreciation, in the current period.

Depreciation expense (424,124)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on the net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued as expenditures, whereas these amounts are deferred and amortized in the statement of activities.

Debt refunding costs amortization (184,526)
Bond principal payment 1,810,000

Some expenses in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.

Interest on bonds payable 4,031

Change in Net Position of Governmental Activities \$ 1,512,022

The notes to the financial statements are an integral part of these statements.

STONEGATE VILLAGE METROPOLITAN DISTRICT

BALANCE SHEET PROPRIETARY FUND December 31, 2017

ASSETS

CURRENT ASSETS

Cash and investments	\$ 6,541,066
Cash and investments - restricted	3,883,601
Accounts receivable - customer	673,216
Prepaid bond insurance	<u>104,901</u>
Total Current Assets	<u>11,202,784</u>

CAPITAL ASSETS

Water rights	2,963,385
Water system	38,851,069
Sewer treatment system and plant	32,466,555
Less accumulated depreciation	<u>(30,117,387)</u>
Net capital assets	<u>44,163,622</u>

Total Assets \$ 55,366,406

LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Accounts payable	\$ 758,318
Accrued bond interest payable	92,289
Bonds payable, due within one year	<u>515,000</u>
Total Current Liabilities	<u>1,365,607</u>

LONG-TERM LIABILITIES

Bonds payable, net of current portion	<u>26,114,216</u>
Total Liabilities	<u>27,479,823</u>

NET POSITION

Net investment in capital assets	17,534,406
Unrestricted	<u>10,352,177</u>
Total Net Position	<u>27,886,583</u>
Total Liabilities and Net Position	<u>\$ 55,366,406</u>

The notes to the financial statements are an integral part of these statements.

STONEGATE VILLAGE METROPOLITAN DISTRICT

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

	<u>Water</u>	<u>Sewer</u>	<u>Capital Projects</u>	
OPERATING REVENUES				
Water sales	\$ 3,275,624	\$ -	\$ -	\$ 3,275,624
Sewer charges	-	2,517,306	-	2,517,306
Reimbursements	29,460	-	-	29,460
Other income	-	-	17,453	17,453
Total Operating Revenues	<u>3,305,084</u>	<u>2,517,306</u>	<u>17,453</u>	<u>5,839,843</u>
OPERATING EXPENSES				
Accounting / Audit	37,382	37,155	-	74,537
District management	125,380	107,175	-	232,555
Utility billing	68,314	65,154	-	133,468
Engineering/consulting	100,143	67,562	-	167,705
Insurance	30,589	38,027	-	68,616
Legal	55,669	44,748	-	100,417
Miscellaneous / office expenses	689	9,842	-	10,531
Website/PR expense	6,626	5,626	-	12,252
Directors Fees	2,880	2,800	-	5,680
Payroll tax expense	9,832	11,162	-	20,994
Dues and permits	1,080	-	-	1,080
Meter set costs	82	-	-	82
Meter read costs	15,794	-	-	15,794
Chemicals	67,131	119,301	-	186,432
Operations	301,482	301,482	-	602,964
Operations WISE project	370,886	-	-	370,886
Lab analysis	22,151	34,515	-	56,666
Tools and Supplies	734	-	-	734
Maintenance	-	336,864	-	336,864
Repair and replacement	362,492	-	-	362,492
Line cleaning	-	69,610	-	69,610
Utilities and telephone	798,748	67,460	-	866,208
ACWWA/CWSD/IWSD	-	250	-	250
Sludge disposal	-	45,847	-	45,847
Water Studies/PWS	214	-	-	214
Well Maintenance	27,105	-	-	27,105
Reimbursement expense	53,236	-	-	53,236
Debt service - interest	549,184	510,480	-	1,059,664
Custodian fee - debt	-	300	-	300
Depreciation	1,079,569	1,227,386	-	2,306,955
Total Operating Expenses	<u>4,108,965</u>	<u>3,102,746</u>	<u>-</u>	<u>7,211,711</u>
INCOME (LOSS) FROM OPERATIONS	<u>(803,881)</u>	<u>(585,440)</u>	<u>17,453</u>	<u>(1,371,868)</u>
NON-OPERATING REVENUES (EXPENSES)				
Transfer (to)/from other funds	3,590,121	-	(3,590,121)	-
Tap fees	471,595	471,595	-	943,190
Interest income	12,980	27,837	33,995	74,812
Non-Operating Revenues (Expenses)	<u>4,074,696</u>	<u>499,432</u>	<u>(3,556,126)</u>	<u>1,018,002</u>
NET INCOME (LOSS) - CHANGE IN NET POSITION	3,270,815	(86,008)	(3,538,673)	(353,866)
NET POSITION - BEGINNING OF YEAR	<u>11,256,138</u>	<u>9,851,728</u>	<u>7,132,583</u>	<u>28,240,449</u>
NET POSITION - END OF YEAR	<u>\$ 14,526,953</u>	<u>\$ 9,765,720</u>	<u>\$ 3,593,910</u>	<u>\$ 27,886,583</u>

The notes to the financial statements are an integral part of these statements.

STONEGATE VILLAGE METROPOLITAN DISTRICT

STATEMENT OF CASH FLOWS
 PROPRIETARY FUND

For the Year Ended December 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers and users	\$ 5,799,896
Other receipts	46,913
Payments to suppliers	<u>(4,363,356)</u>
Net Cash Provided (Required) by Operating Activities	<u>1,483,453</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Bond principal and interest paid	(1,619,762)
Capital improvements	(3,620,312)
Tap fees	<u>943,190</u>
Net Cash Provided (Required) by Capital and Related Financing Activities	<u>(4,296,884)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Investment income	<u>74,812</u>
Net Cash Provided (Required) by Investing Activities	<u>74,812</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,738,619)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>13,163,286</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 10,424,667</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (REQUIRED) BY OPERATING ACTIVITIES	
Net income (loss) from operations	\$ (1,371,868)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (REQUIRED) BY OPERATING ACTIVITIES	
Depreciation	2,306,955
Amortization of Bond Premium	(67,471)
Interest expense	1,124,762
Changes in Assets and Liabilities:	
Accounts payable	(360,737)
Retainage payable	(157,525)
Other liabilities	(1,441)
Receivables	6,966
Prepaid expenses	<u>3,812</u>
Net Adjustments	<u>2,855,321</u>
NET CASH PROVIDED (REQUIRED) BY OPERATING ACTIVITIES	<u>\$ 1,483,453</u>

The notes to the financial statements are an integral part of these statements.

STONEGATE VILLAGE METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2017

Note 1: Summary of Significant Accounting Policies

The accounting policies of the Stonegate Village Metropolitan District, located in Douglas County, Colorado, conform to the accounting principles generally accepted in the United States of America (“GAAP”) as applicable to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies consistently applied in the preparation of financial statements.

Definition of Reporting Entity

The District was organized on July 20, 1983, as a quasi-municipal organization established under the State of Colorado Special District Act. The District was established to develop and provide construction of arterial streets and landscaping, installation of storm drainage facilities, installation of water and sanitation supply and distribution facilities, and construction and maintenance of recreation facilities, parks and trails. The District is governed by an elected Board of Directors.

Effective as of November 30, 1996, as a result of the Second Amended and Restated Regional Facilities Construction Agreement dated November 22, 1996 with Lincoln Park Metropolitan District, the operation and ownership of the Water and Sewer Funds was conveyed to the District. The District currently provides water and sewer service to both districts’ property service areas.

As required by GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District follows the GASB, pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB sets 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 pronouncements also require including a possible component unit if it would be misleading to exclude it.

The District is not financially accountable for any other organization. The District has no component units as defined by the GASB.

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

STONEGATE VILLAGE METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2017

Basis of Presentation

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. *Governmental activities*, which are normally supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. For the most part, the effect of interfund activity has been removed from these statements.

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

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are collected.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal 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.

STONEGATE VILLAGE METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2017

The District 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 all financial 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 financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other assets.

Special Revenue Fund – The Special Revenue Fund accounts for the resources accumulated and payments made for the purchase, construction, operation, and maintenance of water resource facilities used by the District. The primary revenue of the fund is a monthly \$15 charge on each customer’s water bill.

The District reports the following major proprietary fund:

Water and Sewer Utility Enterprise Fund – The Water and Sewer Utility Enterprise Fund accounts for the activities associated with providing both potable and non-potable (irrigation) water to the districts’ citizens.

The Enterprise Fund accounts for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund’s ongoing operations. Operating revenues consist of charges to customers for the water and sewer services provided. Operating expenses for proprietary funds include the cost of services, administrative expenses, and depreciation of assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions.

STONEGATE VILLAGE METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2017

Budgetary Accounting

Budgets are adopted on a non-GAAP basis for the governmental funds. In accordance with the State Budget Law of Colorado, 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 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 appropriation is at the total fund expenditures level and lapses at year end.

During November 2017, the District amended its total appropriations in the Special Revenue Fund from \$335,700 to \$350,000 primarily due to higher than expected payments to Compark Metro, the Debt Service Fund from \$2,468,111 to \$2,610,000 primarily due to higher than expected interest payments, and the Proprietary Fund from \$2,815,300 to \$3,600,000 due to higher water capital costs.

Statement of Cash Flows

For purposes of the statement of cash flows, the District considers cash deposits with a maturity of three months or less to be cash equivalents.

Assets, Liabilities, and Net Position

Fair Value of Financial Instruments

The District's financial instruments include cash and cash equivalents, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2017, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand and short-term investments with maturities of three months or less from the date of acquisition. Investments for the government are reported at fair value.

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a minimum number of bank accounts. 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.

STONEGATE VILLAGE METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2017

Estimates

The preparation of these financial statements in conformity with GAAP requires the District management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District only has one item that qualifies for reporting in this category. It is the deferred loss on refunding reported in the government-wide statement of net position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Deferred property taxes are deferred and recognized as an inflow of resources in the period that the amounts become available.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bonds payable are reported net of the applicable bond premium or discount.

Prepaid Bond Insurance Costs and Bond Refunding Costs

The prepaid bond insurance costs from the Series 2014 Wastewater Revenue Bonds and the Series 2015 Water Revenue Bonds and the debt refunding costs from the 2014 GO Refunding Loan and the 2015 GO Refunding Loan are being amortized over the term of the debt using the straight-line method. The bond premiums from the Series 2014 Wastewater Revenue Bonds and the Series 2015 Wastewater Revenue Bonds are being amortized over the term of the bonds using the interest method. At December 31, 2017, the accumulated amortizations of the bond insurance costs, the bond premium and the bond refunding costs were \$21,589, \$303,849, and \$839,520 respectively.

STONEGATE VILLAGE METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2017

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of the donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the life of the assets are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable using the straight-line method. Depreciation on property that will remain assets of the District is reported on the Statement of Activities as a current charge. Improvements that will be conveyed to other governmental entities are classified as construction in progress and are not depreciated. Land and certain landscaping improvements are not depreciated.

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

Parks and recreation	20 years
Water system	30 years
Sewer system	30 years

Property Tax

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April 30 or in equal installments, at the taxpayers' election, in February and June. Delinquent taxpayers are notified in July or 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 since they are not normally available nor are they budgeted as a resource until the subsequent year. The deferred property taxes are recorded as revenue in the subsequent year when they are available or collected.

STONEGATE VILLAGE METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2017

Fund Equity

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications make the nature and extent of the constraints placed on a government's fund balance more transparent:

Nonspendable Fund Balance

Nonspendable fund balance includes amounts that cannot be spent because they are either not spendable in form (such as inventory or prepaids) or are legally or contractually required to be maintained intact.

The nonspendable fund balance in the General Fund in the amount of \$83,735 represents prepaid expenditures.

Restricted Fund Balance

The restricted fund balance includes amounts restricted for a specific purpose by external parties such as grantors, bondholders, constitutional provisions or enabling legislation.

The restricted fund balance in the General Fund represents Emergency Reserves that have been provided as required by Article X, Section 20 of the Constitution of the State of Colorado. A total of \$2,058 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 \$725,139 is restricted for the payment of the debt service costs associated with the Series 2014 and 2015 General Obligation Refunding and Improvement loans (see Note 4).

The restricted fund balance in the Special Revenue Fund in the amount of \$2,634,495 is restricted for the purchase, construction, operation, and maintenance of water resource facilities used by the District.

Committed Fund Balance

The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by a formal action of the government's highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.

Assigned Fund Balance

Assigned fund balance includes amounts the District intends to use for a specific purpose. Intent can be expressed by the District's Board of Directors or by an official or body to which the Board of Directors delegates the authority.

STONEGATE VILLAGE METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2017

The assigned fund balance in the General Fund in the amount of 38,462 represents funds intended for use for operating expenses during 2018 per the adopted budget for 2018 approved by the Board of Directors.

Unassigned Fund Balance

Unassigned fund balance includes amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

For the classification of Governmental Fund balances, the District considers an expenditure to be made from the most restrictive first when more than one classification is available.

Net Position

Net Position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The District reports three categories of net position, as follows:

Net investment in capital assets – consists of net capital assets, reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows or resources related to those assets.

Restricted net position – net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

Unrestricted net position – consists of all other net position that does not meet the definition of the above two components and is available for general use by the District.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District will use the most restrictive net position first.

Note 2: Cash and Investments

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

Statement of Net Position:	
Cash and investments	\$ 9,228,966
Cash and investments – Restricted	<u>4,607,085</u>
Total	\$ <u>13,836,051</u>

STONEGATE VILLAGE METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2017

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

Deposits with financial institutions	\$ 4,014,764
Investments – COLOTRUST	<u>9,821,287</u>
	\$ <u>13,836,051</u>

Deposits

Custodial Credit Risk

The Colorado Public Deposit Protection Act, (“PDPA”) requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. 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 is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. 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 depositories and assets maintained in the collateral pools.

The District follows state statutes for deposits. None of the District’s deposits was exposed to custodial credit risk.

Investments

Investment Valuation

Certain investments are measured at fair value 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. The District’s investment, is not required to be categorized within the fair value hierarchy. This investment’s value is calculated using the net asset value (NAV) per share.

Credit risk

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments. Colorado statutes specify the types of investments meeting defined rating and risk criteria in which local governments may invest. These investments include obligations of the United States and certain U.S. Government agency entities, certain money market funds, guaranteed investment contracts, and local government investment pools.

Custodial and Concentration of Credit Risk

None of the District’s investments are subject to custodial or concentration of credit risk.

STONEGATE VILLAGE METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2017

Interest Rate Risk

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors.

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

COLOTRUST

The local government investment pool, Colorado Local Government Liquid Asset Trust (“COLOTRUST”) is rated AAAM by Standard & Poor’s and the maturity is weighted average under 60 days. COLOTRUST is an investment trust/joint ventures established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. COLOTRUST determines the NAV of the shares of each portfolio as of the close of business of each day. The NAV per share of each portfolio is computed by dividing the total value of the securities and other assets of the portfolios, less any liabilities, by the total outstanding shares of the portfolios. Liabilities, which include all expenses and fees of COLOTRUST, are accrued daily. The NAV is calculated at fair value using various inputs in determine value in accordance with FASB guidance. The trusts operate similarly to a money market fund with each share maintaining a value of \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both investments consist of U.S. Treasury bills and notes and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. Designated custodian banks provide safekeeping and depository services to the trusts. Substantially all securities owned by the trusts are held by the Federal Reserve Bank in the accounts maintained for the custodian banks. The custodians’ internal records identify the investments owned by COLOTRUST. At December 31, 2017, the District had \$9,821,287 invested in COLOTRUST.

STONEGATE VILLAGE METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2017

Note 3: Capital Assets

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

	Balance 1/1/2017	Additions	Deletions	Balance 12/31/2017
<u>Governmental Activities:</u>				
<u>Capital assets not being depreciated:</u>				
Street landscaping	\$ 3,386,545	\$ -	\$ -	\$ 3,386,545
Landscaping	850,806	-	-	850,806
Construction in progress	<u>2,184,136</u>	<u>-</u>	<u>-</u>	<u>2,184,136</u>
Total capital assets not being depreciated:	<u>6,421,487</u>	<u>-</u>	<u>-</u>	<u>6,421,487</u>
<u>Capital assets being depreciated:</u>				
Recreation center	4,139,636	-	-	4,139,636
Other recreation equipment/fences	1,140,840	-	-	1,140,840
Reservoir	<u>6,700,234</u>	<u>-</u>	<u>-</u>	<u>6,700,234</u>
Total capital assets being depreciated:	11,980,710	-	-	11,980,710
Accumulated Depreciation	<u>4,482,364</u>	<u>424,124</u>	<u>-</u>	<u>4,906,488</u>
Net capital assets being depreciated:	<u>7,498,346</u>	<u>(424,124)</u>	<u>-</u>	<u>7,074,222</u>
Governmental assets, net	<u>\$ 13,919,833</u>	<u>\$ (424,124)</u>	<u>\$ -</u>	<u>\$ 13,495,709</u>
<u>Business-Type Activities:</u>				
<u>Capital assets not being depreciated:</u>				
Water rights	\$ 2,963,385	\$ -	\$ -	\$ 2,963,385
Total capital assets not being depreciated:	<u>2,963,385</u>	<u>-</u>	<u>-</u>	<u>2,963,385</u>
<u>Capital assets being depreciated:</u>				
Water system	35,260,948	3,590,121	-	38,851,069
Sewer system	<u>32,436,364</u>	<u>30,191</u>	<u>-</u>	<u>32,466,555</u>
Total capital assets being depreciated:	67,697,312	3,620,312	-	71,317,624
Accumulated Depreciation	<u>27,810,432</u>	<u>2,306,955</u>	<u>-</u>	<u>30,117,387</u>
Net capital assets being depreciated:	<u>39,886,880</u>	<u>1,313,357</u>	<u>-</u>	<u>41,200,237</u>
Business-type assets, net	<u>\$ 42,850,265</u>	<u>\$ 1,313,357</u>	<u>\$ -</u>	<u>\$ 44,163,622</u>

Depreciation is charged to the general government function in the government-wide financial statements. Upon completion and acceptance, all of the governmental activities fixed assets except for the landscaping, parks and recreation and the reservoir will be conveyed by the District to other local governments. The District will not be responsible for maintenance.

STONEGATE VILLAGE METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2017

Note 4: Long-Term Debt

A description of the long-term obligations as of December 31, 2017, is as follows:

\$34,575,000 General Obligation Refunding and Improvement Bonds, Series 2006

On November 20, 2006, the District advance refunded and defeased (debt legally satisfied) \$31,335,000 of its Series 1996 General Obligation Refunding Bonds, dated November 1, 1996, by the issuance of \$34,575,000 General Obligation Refunding and Improvement Bonds, Series 2006 dated November 30, 2006. The bonds bear interest at a rate ranging from 3.50% to 4.00%. Interest is payable semiannually on each June 1 and December 1, commencing on December 1, 2006. The bonds are subject to a mandatory sinking fund redemption commencing on December 1, 2007. Bonds maturing prior to December 1, 2015 are subject to early redemption prior to their respective maturities at the option of the District at a redemption price equal to the principal amount so redeemed plus accrued interest without a redemption premium. The bonds are secured by Pledged Revenues including property tax revenues, tap fees and cash reserves in the Debt Service Fund. The scheduled payment of principal and interest are guaranteed under an insurance policy by MBIA Insurance Company (MBIA). During 2009, Standard & Poor's downgraded its rating of MBIA to "BB+". The bonds were issued to provide \$32,491,596 in order to refund the Series 1996 bonds as well as to provide \$6,000,000 of funds for capital improvements and to reduce the interest rate. The net present value savings as a result of the refunding was approximately \$3,078,000. The District received a premium of \$1,940,977 and incurred bond refunding costs of \$298,348, both of which are being amortized over the life of the Series 2006 bonds in the statement of net position and the statement of activities. The Series 2006 Bonds were fully defeased on April 21, 2015, with the issuance of the Series 2015 Loan.

\$9,300,000 General Obligation Refunding Loan, Series 2014

On November 25, 2014, the District advance refunded and defeased (debt legally satisfied) \$9,985,000 of its Series 2006 General Obligation Refunding Bonds, from the issuance of a \$9,300,000 General Obligation Refunding Loan, Series 2014. The loan bears interest at a rate of 2.60%. Interest is payable semiannually on each June 1 and December 1, commencing on June 1, 2015. The loan is subject to scheduled principal payments commencing on December 1, 2015. On or after December 1, 2018, the loan is subject to optional prepayments without a prepayment penalty with 30 days' notice. The bonds were issued to provide \$9,157,908 in order to refund a portion of the Series 2006 bonds. The net present value savings as a result of the refunding was approximately \$388,500. The District incurred bond refunding costs of \$1,380,695 which are being amortized over the life of the Series 2014 loan in the statement of net position and the statement of activities.

STONEGATE VILLAGE METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2017

\$17,120,000 Taxable (Convertible to Tax-Exempt) General Obligation Refunding Loan, Series 2015.

On April 21, 2015, the District advance refunded and defeased (debt legally satisfied) the remaining outstanding balance of its Series 2006 General Obligation Refunding Bonds, from the issuance of a \$17,120,000 Taxable (Convertible to Tax-Exempt) General Obligation Refunding Loan, Series 2015. The loan bears interest at a rate of 3.81% to the conversion date of December 1, 2016 and 2.65% thereafter. Interest is payable semiannually on each June 1 and December 1, commencing on June 1, 2015. The loan is subject to scheduled principal payments commencing on December 1, 2015. On or after December 1, 2018, the loan is subject to optional prepayments without a prepayment penalty with 30 days' notice. The bonds were issued to provide \$16,938,045 in order to refund the balance of the Series 2006 bonds.

As a result of the issuance of the Series 2015 Loan, the refunded bonds are considered to be defeased and the liabilities have been removed from the governmental activities column of the statement of net position. The reacquisition price of the old debt exceeded the net carrying amount by \$1,952,899. This amount is recorded as a deferred outflow and is being amortized over the original remaining life of the refunded bonds. The refunding resulted in an economic gain of approximately \$353,000 due to the average interest rate of the Series 2015 Loan being lower than the refunded bonds.

The following is a summary of the annual long-term debt principal and interest requirements related to the Series 2014 and Series 2015 General Obligation Loans:

	Principal	Interest	Total
2018	\$ 1,920,000	\$ 569,371	\$ 2,489,371
2019	2,020,000	518,197	2,538,197
2020	2,410,000	465,491	2,875,491
2021	2,750,000	400,790	3,150,790
2022	2,885,000	327,797	3,212,797
2023-2025	9,465,000	510,308	9,975,308
	<u>\$ 21,450,000</u>	<u>\$ 2,791,954</u>	<u>\$ 24,241,954</u>

STONEGATE VILLAGE METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2017

\$13,040,000 Wastewater Enterprise Revenue Bonds, Series 2014

On May 2, 2014, the District issued \$13,040,000 of Wastewater Revenue Bonds, Series 2014. The bonds bear interest at rates ranging from 3.00% to 5.00%. Interest is payable semiannually on each June 1 and December 1, commencing on June 1, 2014. The bonds are subject to scheduled principal payments commencing on December 1, 2014. Bonds maturing after December 1, 2022 are subject to optional redemption on or after December 1, 2022 at par. The Bonds are secured by the net revenues of the sewer activity of the District's enterprise fund. The bonds were issued to provide \$13,200,000 for the rehabilitation of the sanitary sewer system. The District received a premium of \$417,963 and incurred insurance costs of \$52,235, both of which are being amortized over the life of the Series 2014 bonds in the statement of net position and the statement of activities.

\$13,825,000 Water Enterprise Revenue Bonds, Series 2015

On October 28, 2015, the District issued \$13,825,000 of Water Revenue Bonds, Series 2015. The bonds bear interest at rates ranging from 2.00% to 5.00%. Interest is payable semiannually on each June 1 and December 1, commencing on December 1, 2015. The bonds are subject to scheduled principal payments commencing on December 1, 2015. Bonds maturing after December 1, 2023 are subject to optional redemption on or after December 1, 2022 at par. The Bonds are secured by the net revenues of the water activity of the District's enterprise fund. The bonds were issued to finance improvements to the District's water system and pay the costs of issuing the Bonds. The District received a premium of \$914,465 and incurred insurance costs of \$63,649, both of which are being amortized over the life of the Series 2015 bonds in the statement of net position and the statement of activities.

The following is a summary of the annual long-term debt principal and interest requirements related to the Series 2014 Wastewater Enterprise Revenue Bonds and Series 2015 Water Enterprise Revenue Bonds:

	Principal	Interest	Total
2018	\$ 515,000	\$ 1,107,462	\$ 1,622,462
2019	535,000	1,089,463	1,624,463
2020	550,000	1,070,762	1,620,762
2021	570,000	1,051,512	1,621,512
2022	595,000	1,028,712	1,623,712
2023-2027	3,405,000	4,706,612	8,111,612
2028-2032	4,150,000	3,951,169	8,101,169
2033-2037	5,120,000	2,986,250	8,106,250
2038-2042	6,280,000	1,823,700	8,103,700
2043-2045	3,750,000	343,500	4,093,500
	\$ 25,470,000	\$ 19,159,144	\$ 44,629,144

STONEGATE VILLAGE METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2017

The following is an analysis of changes in long-term debt for the period ending December 31, 2017:

	Balance 1/1/2017	Additions	Deletions	Balance 12/31/2017	Current Portion
GO Refunding Loan - Series 2014	\$ 8,315,000	\$ -	\$ (310,000)	\$ 8,005,000	\$ 475,000
Wastewater Revenue Bonds - Series 2014	12,385,000	-	(245,000)	12,140,000	255,000
GO Refunding Loan - Series 2015	14,945,000	-	(1,500,000)	13,445,000	1,445,000
2015 Water Enterprise Revenue Bonds	13,580,000	-	(250,000)	13,330,000	260,000
Bond premium (net) 2014 Revenue Bonds	363,693	-	(20,708)	342,985	-
Bond premium (net) 2015 Water Revenue	862,994	-	(46,763)	816,231	-
Bonds	-	-	-	-	-
	<u>\$ 50,451,687</u>	<u>\$ -</u>	<u>\$ (2,372,471)</u>	<u>\$ 48,079,216</u>	<u>\$ 2,435,000</u>

Debt Authorization

As of December 31, 2017, the District had remaining voted debt authorization of approximately \$69,770,000 from an election held December 22, 1987 at an interest rate not to exceed 18%. In the future, the District may issue a portion or all of the remaining authorized, but unissued general obligation debt for purposes of providing public improvements to support development as it occurs within the District's service area, however, as of the date of this audit, the amount and timing of any debt issuances is not determinable. The continued validity of the remaining general obligation from 1987 debt authorization may be in question as a result of Article X, Section 20 of the Constitution of the State of Colorado (see Note 7).

Note 5: Segment Information

The District's enterprise fund provides water and sewer services. Segment information for the year ended December 31, 2017, was as follows:

	Water	Sewer	Total
Operating revenue	\$ 3,305,084	\$ 2,517,306	\$ 5,822,390
Depreciation	\$ 1,079,569	\$ 1,227,386	\$ 2,306,955
Net operating loss	\$ (803,881)	\$ (585,440)	\$ (1,389,321)
Total fixed assets	\$ 26,414,178	\$ 17,749,444	\$ 44,163,622

Note 6: Intergovernmental Agreements

Rueter-Hess Reservoir Storage Easement

In 2008, the District entered into an agreement with Parker Water and Sanitation District "Parker", whereby Parker granted a water storage easement to the District in the Rueter-Hess Reservoir. The easement is a permanent, non-exclusive right for the District to use 1,200 acre feet of reservoir storage capacity. The total cost to the District relating to the easement was \$6,644,394, of which \$6,637,666 pertained to the easement agreement.

STONEGATE VILLAGE METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2017

Regional Facilities Construction Agreement

On November 22, 1996, the District entered into a Second Amended and Restated Regional Facilities and Construction Agreement with Lincoln Park Metropolitan District (Lincoln Park) to replace a previous agreement between the parties dated April 15, 1992. This agreement provides that all rights, title and interest, including water rights, that Lincoln Park has in the water and sanitary sewer system, which serves both districts, were conveyed to the District. Certain water, sanitary sewer and street improvements, as defined in the agreement, within Lincoln Park's boundaries were to be constructed and financed by the District. Any costs incurred within Lincoln Park's boundaries that were not identified in the agreement were to be paid by Lincoln Park. The District will continue to own, operate and maintain the recreational and park facilities as well as the water and sewer facilities.

The Districts agreed that the first 2,531 single family $\frac{3}{4}$ inch water tap equivalents (SFEs) to be developed and delivered through the water facilities, as well as the water capacity necessary to serve certain irrigation properties within Lincoln Park's boundaries were to be dedicated in perpetuity to supply water taps in the District. Water taps in excess of the above are dedicated to Lincoln Park. The District, Lincoln Park and the Developer have agreed to share pro rata the costs to maintain water rights in the Augmentation Plan.

The District has deposited water and sewer tap fees to the Debt Service Fund to meet debt service requirements by Board policy since all capital outlay has been made from bond proceeds.

Sewer treatment capacity in excess of 550,000 gallons per day is reserved to Lincoln Park. The District will construct certain streets and related components and shall operate, maintain and replace such streets until they have been deeded to Douglas County upon final approval and acceptance by the County.

The agreement also provides procedures for the escrow and disbursement of funds related to the construction of these facilities. Annually, the Districts are to agree to a construction budget.

The District is tracking Lincoln Park's share of the Rueter-Hess cost described above and is applying sustainability and water resource fees attributable to Lincoln Park to reduce Lincoln Park's share. The unpaid share accrues interest at 4.50% per annum. During 2017 \$123,053 was transferred from the Special Revenue Fund to the Debt Service Fund. The balance owed under this arrangement was paid in full as of December 31, 2017.

Lincoln Park remits \$5.00 of the monthly park and recreation fee it collects to cover its share of the recreation center facility constructed by the District in 2010. The unpaid share accrues interest at 4.50% per annum. During 2017 \$54,374 was remitted to the District's Debt Service Fund. The balance owed under this arrangement was paid in full as of December 31, 2017.

STONEGATE VILLAGE METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2017

Compark Business Campus Metropolitan District Regional Facilities Agreement

During 1998, the District entered into a Regional Facilities Agreement with Compark Business Campus Metropolitan District “Compark”, formerly Compark and E470 Business Campus Metropolitan District. The District agreed to provide water and sanitation services to the property within the Compark boundaries in exchange for conveyance by Compark of a minimum of 317 acre feet of water to the District. Compark also agreed to finance all facilities which are necessary for the District to provide water and sewer services to Compark properties. These facilities will be owned by the District. The agreement also provides that the District will receive an access fee for each single family equivalent combined water and sewer tap from Compark. As of December 31, 2017, the access fee was \$2,906.

The fee can be adjusted September 1 of each year based on the Denver-Boulder CPI. The District did not receive any fees during the year ended December 31, 2017.

The agreement was amended in 2008 “the Fourth Amendment” to provide for and clarify the procedures for developing funding and a renewable water capital plan. The amended agreement provides of Compark’s participation in the funding of certain water system infrastructure and the Rueter-Hess Reservoir water storage project (See “Rueter-Hess Reservoir Storage Easement” above). Compark is to provide reimbursement of \$118,983 plus 16.25% of the District’s administrative and legal costs for a pipeline, and \$1,072,500 plus 16.25% of the District’s investment in the Rueter-Hess Reservoir. The District received \$856,748 in reimbursements during 2008.

Note 7: Tax Spending and Debt Limitations

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

Enterprises, defined as government-owned business 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 District’s management believes a significant portion of its operations qualifies for this exclusion.

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.

STONEGATE VILLAGE METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2017

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.

Note 8: Risk Management

Except as provided in the Colorado Governmental Immunity Act, 24-10-101, et seq., CRS, the District may be exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors or omissions; injuries to agents; and natural disasters. The District has elected to participate in the Colorado Special Districts Property and Liability Pool (the "Pool") which is an organization created by intergovernmental agreement to provide common liability and casualty insurance coverage to its members at a cost that is considered economically appropriate. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for auto, public officials' liability, and property and general liability coverage. In the event aggregated losses incurred by the Pool exceed its amounts recoverable from reinsurance contracts and its accumulated reserves, the District may be called upon to make additional contributions to the Pool on the basis proportionate to other members. Any excess funds which the Pool determines are not need for purposes of the Pool may be returned to the members pursuant to a distribution formula.

REQUIRED SUPPLEMENTAL INFORMATION

STONEGATE VILLAGE METROPOLITAN DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
GENERAL FUND

For the Year Ended December 31, 2017

	Original & Final		Variance
	<u>Budget</u>	<u>Actual</u>	<u>Favorable</u> <u>(Unfavorable)</u>
REVENUES			
Property taxes	\$ 60,769	\$ 60,736	\$ (33)
Specific ownership taxes	4,863	6,657	1,794
Park and recreation fees	1,001,250	1,008,520	7,270
Conservation trust fund	40,000	39,957	(43)
Community Center fees	42,000	36,624	(5,376)
Miscellaneous income	5,000	47,240	42,240
Interest income	2,000	715	(1,285)
	<u>1,155,882</u>	<u>1,200,449</u>	<u>44,567</u>
EXPENDITURES			
District management	11,400	25,118	(13,718)
Accounting and audit	3,080	4,128	(1,048)
Directors' fees and payroll taxes	1,750	8,208	(6,458)
Legal	8,575	10,672	(2,097)
Insurance	7,400	7,856	(456)
Engineering	5,000	1,750	3,250
Repairs and maintenance	143,000	138,975	4,025
Landscape contract	478,534	503,532	(24,998)
Recreation Maintenance:			
Recreation operations/maint	53,000	46,814	6,186
Pool management	168,000	165,064	2,936
Pool chemicals/supplies/misc	35,000	36,584	(1,584)
Landscape improvements	204,000	91,307	112,693
Annual clean-up	5,000	-	5,000
Utilities	144,000	134,748	9,252
County treasurer's fees	912	912	-
Security and vandalism	6,000	2,574	3,426
Snow removal	50,000	9,276	40,724
Fence maintenance	75,000	34,005	40,995
Miscellaneous	10,000	24,556	(14,556)
Utility billing	5,000	11,650	(6,650)
Communication/PR expense	7,200	3,370	3,830
Office and equipment expense	2,875	27,180	(24,305)
Emergency Reserve	1,969	-	1,969
Contingency	43,998	-	43,998
	<u>1,470,693</u>	<u>1,288,279</u>	<u>182,414</u>
EXCESS (DEFICIENCY) OF REVENUES OVER			
EXPENDITURES	(314,811)	(87,830)	226,981
OTHER FINANCING SOURCES			
Transfer from other funds	35,668	-	(35,668)
	<u>35,668</u>	<u>-</u>	<u>(35,668)</u>
Total Other Financial Sources			
	<u>35,668</u>	<u>-</u>	<u>(35,668)</u>
NET CHANGE IN FUND BALANCE	(279,143)	(87,830)	191,313
FUND BALANCE:			
BEGINNING OF YEAR	<u>279,143</u>	<u>212,085</u>	<u>(67,058)</u>
END OF YEAR	<u>\$ -</u>	<u>\$ 124,255</u>	<u>\$ 124,255</u>

The notes to the financial statements are an integral part of these statements.

STONEGATE VILLAGE METROPOLITAN DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - SPECIAL REVENUE FUND

For the Year Ended December 31, 2017

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES				
Sustainability fees	\$ 790,000	\$ 800,000	\$ 817,486	\$ 17,486
Miscellaneous income	2,500	2,500	3,328	828
Interest income	<u>10,000</u>	<u>15,000</u>	<u>15,910</u>	<u>910</u>
 Total Revenues	 <u>802,500</u>	 <u>817,500</u>	 <u>836,724</u>	 <u>19,224</u>
EXPENDITURES				
Accounting and audit	3,100	3,100	3,901	(801)
District management	12,000	12,000	9,587	2,413
Legal	4,000	4,000	1,323	2,677
Miscellaneous/office expenses	100	13,500	11	13,489
Utility billing	6,500	7,400	8,636	(1,236)
Lincoln Park payment	-	36,947	-	36,947
Repayment to Compark Metro	<u>150,000</u>	<u>150,000</u>	<u>166,401</u>	<u>(16,401)</u>
 Total Expenditures	 <u>175,700</u>	 <u>226,947</u>	 <u>189,859</u>	 <u>37,088</u>
 EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	 626,800	 590,553	 646,865	 56,312
OTHER FINANCING SOURCES (USES)				
Transfer to Debt Service Fund	<u>(160,000)</u>	<u>(123,053)</u>	<u>(123,053)</u>	<u>-</u>
 Total Other Financing Sources (Uses)	 <u>(160,000)</u>	 <u>(123,053)</u>	 <u>(123,053)</u>	 <u>-</u>
 NET CHANGE IN FUND BALANCE	 466,800	 467,500	 523,812	 56,312
FUND BALANCE:				
BEGINNING OF YEAR	<u>2,120,197</u>	<u>2,120,197</u>	<u>2,110,683</u>	<u>(9,514)</u>
 END OF YEAR	 <u>\$ 2,586,997</u>	 <u>\$ 2,587,697</u>	 <u>\$ 2,634,495</u>	 <u>\$ 46,798</u>

The notes to the financial statements are an integral part of these statements.

SUPPLEMENTAL INFORMATION

STONEGATE VILLAGE METROPOLITAN DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
DEBT SERVICE FUND

For the Year Ended December 31, 2017

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES				
Property taxes	\$ 2,058,556	\$ 2,056,487	\$ 2,057,445	\$ 958
Specific ownership taxes	164,686	199,708	225,503	25,795
Community Center fees	68,000	54,374	54,374	-
Interest income	<u>3,000</u>	<u>11,666</u>	<u>15,773</u>	<u>4,107</u>
 Total Revenues	 <u>2,294,242</u>	 <u>2,322,235</u>	 <u>2,353,095</u>	 <u>30,860</u>
EXPENDITURES				
Debt service:				
Principal	1,810,000	1,810,000	1,810,000	-
Interest	617,733	759,122	764,609	(5,487)
County treasurer's fees	30,878	30,878	30,880	(2)
Paying agent fees	7,500	-	-	-
Miscellaneous	<u>2,000</u>	<u>10,000</u>	<u>-</u>	<u>10,000</u>
 Total Expenditures	 <u>2,468,111</u>	 <u>2,610,000</u>	 <u>2,605,489</u>	 <u>4,511</u>
 EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	 (173,869)	 (287,765)	 (252,394)	 35,371
OTHER FINANCING SOURCES (USES)				
Transfer from other funds	<u>160,000</u>	<u>123,053</u>	<u>123,053</u>	<u>-</u>
 Total Other Financing Sources (Uses)	 <u>160,000</u>	 <u>123,053</u>	 <u>123,053</u>	 <u>-</u>
 NET CHANGE IN FUND BALANCE	 (13,869)	 (164,712)	 (129,341)	 35,371
FUND BALANCE:				
BEGINNING OF YEAR	<u>857,731</u>	<u>857,731</u>	<u>854,480</u>	<u>(3,251)</u>
 END OF YEAR	 <u>\$ 843,862</u>	 <u>\$ 693,019</u>	 <u>\$ 725,139</u>	 <u>\$ 32,120</u>

The notes to the financial statements are an integral part of these statements.

STONEGATE VILLAGE METROPOLITAN DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
CAPITAL PROJECTS FUND

For the Year Ended December 31, 2017

	Original & Final <u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Interest income	\$ -	\$ -	\$ -
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES			
Capital outlay			
Parks and recreation	-	-	-
Contingency	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)			
Transfer (to) from other funds	<u>(35,668)</u>	<u>-</u>	<u>35,668</u>
Total Other Financing Sources (Uses)	<u>(35,668)</u>	<u>-</u>	<u>35,668</u>
NET CHANGE IN FUND BALANCE	(35,668)	-	35,668
FUND BALANCE:			
BEGINNING OF YEAR	<u>35,668</u>	<u>-</u>	<u>(35,668)</u>
END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of these statements.

STONEGATE VILLAGE METROPOLITAN DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUNDS AVAILABLE - BUDGET AND ACTUAL (BUDGETARY BASIS) -
ENTERPRISE FUND - WATER ACTIVITIES
For the Year Ended December 31, 2017

	Original		Variance
	<u>Budget</u>	<u>Actual</u>	<u>Favorable</u> <u>(Unfavorable)</u>
REVENUES			
Water sales	\$ 2,650,000	\$ 3,275,624	\$ 625,624
Tap fees	100,000	471,595	371,595
Reimbursements	50,000	29,460	(20,540)
Interest income	<u>8,000</u>	<u>12,980</u>	<u>4,980</u>
Total Revenues	<u>2,808,000</u>	<u>3,789,659</u>	<u>981,659</u>
EXPENDITURES			
Accounting / Audit	29,260	37,382	(8,122)
District management	114,000	125,380	(11,380)
Utility billing	50,000	68,314	(18,314)
Engineering/consulting	125,000	100,143	24,857
Insurance	29,600	30,589	(989)
Legal	81,463	55,669	25,794
Miscellaneous / office expenses	28,750	689	28,061
Website/PR expense	14,400	6,626	7,774
Directors Fees	3,375	2,880	495
Payroll tax expense	10,000	9,832	168
Dues and permits	50,000	1,080	48,920
Meter set costs	10,000	82	9,918
Meter read costs	16,500	15,794	706
Chemicals	38,000	67,131	(29,131)
Operations	305,181	301,482	3,699
Operations WISE project	440,000	370,886	69,114
Lab analysis	25,000	22,151	2,849
Tools and Supplies	5,000	734	4,266
Meter replacement	10,000	21,573	(11,573)
Repair and replacement	492,500	362,492	130,008
Utilities and telephone	700,000	798,748	(98,748)
Water Regulations	15,000	-	15,000
Water Studies/PWS	25,000	214	24,786
Well Maintenance	218,000	27,105	190,895
Reimbursement expense	20,000	53,236	(33,236)
Capital improvements	50,000	-	50,000
Debt service - interest	594,456	594,456	-
Debt service - principal	250,000	250,000	-
Replacement reserve	200,000	-	200,000
Contingency	<u>78,719</u>	<u>-</u>	<u>78,719</u>
Total Expenditures	<u>4,029,204</u>	<u>3,324,668</u>	<u>704,536</u>
EXCESS (DEFICIENCY) OF REVENUES			
OVER EXPENDITURES	(1,221,204)	464,991	1,686,195
FUNDS AVAILABLE - BEGINNING OF YEAR			
	<u>1,721,204</u>	<u>1,783,864</u>	<u>62,660</u>
FUNDS AVAILABLE - END OF YEAR			
	<u>\$ 500,000</u>	<u>\$ 2,248,855</u>	<u>\$ 1,748,855</u>
Funds available computed as follows:			
Current assets		\$ 2,545,103	
Current liabilities		(296,248)	
		<u>\$ 2,248,855</u>	

The notes to the financial statements are an integral part of these statements.

STONEGATE VILLAGE METROPOLITAN DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUNDS AVAILABLE - BUDGET AND ACTUAL (BUDGETARY BASIS) -
 ENTERPRISE FUND - SEWER ACTIVITIES
 For the Year Ended December 31, 2017

	Original & Final		Variance
	<u>Budget</u>	<u>Actual</u>	<u>Favorable</u> <u>(Unfavorable)</u>
REVENUES			
Sewer charges	\$ 2,485,000	\$ 2,517,306	\$ 32,306
Tap fees	-	471,595	471,595
Interest income	<u>12,000</u>	<u>27,837</u>	<u>15,837</u>
Total Revenues	<u>2,497,000</u>	<u>3,016,738</u>	<u>519,738</u>
EXPENDITURES			
Accounting / Audit	29,260	37,155	(7,895)
Cherry Creek Basin Fees	12,000	-	12,000
District management	102,600	107,175	(4,575)
Utility billing	45,000	65,154	(20,154)
Engineering/consulting	85,000	67,562	17,438
Insurance	37,000	38,027	(1,027)
Legal	81,463	44,748	36,715
Miscellaneous / office expenses	25,875	9,842	16,033
Website/PR expense	14,400	5,626	8,774
Directors Fees	3,375	2,800	575
Payroll tax expense	9,000	11,162	(2,162)
Chemicals	100,000	119,301	(19,301)
Operations	290,182	301,482	(11,300)
Lab analysis	35,000	34,515	485
Tools and Supplies	10,000	-	10,000
Maintenance	372,300	336,864	35,436
Line cleaning	95,000	69,610	25,390
Utilities and telephone	100,000	67,460	32,540
ACWWA/CWSD/IWSD	2,500	250	2,250
Sludge disposal	50,000	45,847	4,153
Reimbursement expense	15,000	-	15,000
Capital improvements	500,000	30,191	469,809
Debt service - interest	530,306	530,306	-
Debt service - principal	245,000	245,000	-
Custodian fee - debt	-	300	(300)
Replacement reserve	1,100,000	-	1,100,000
Contingency	<u>328,754</u>	<u>-</u>	<u>328,754</u>
Total Expenditures	<u>4,219,015</u>	<u>2,170,377</u>	<u>2,048,638</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,722,015)	846,361	2,568,376
FUNDS AVAILABLE - BEGINNING OF YEAR	<u>3,529,462</u>	<u>3,650,439</u>	<u>120,977</u>
FUNDS AVAILABLE - END OF YEAR	<u>\$ 1,807,447</u>	<u>\$ 4,496,800</u>	<u>\$ 2,689,353</u>
Funds available computed as follows:			
Current assets		\$ 4,669,179	
Current liabilities		<u>(172,379)</u>	
		<u>\$ 4,496,800</u>	

The notes to the financial statements are an integral part of these statements.

STONEGATE VILLAGE METROPOLITAN DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUNDS AVAILABLE - BUDGET AND ACTUAL (BUDGETARY BASIS)
 ENTERPRISE FUND - CAPITAL ACTIVITIES
 For the Year Ended December 31, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES				
Miscellaneous income	\$ -	\$ -	\$ 17,453	\$ 17,453
Interest income	<u>-</u>	<u>-</u>	<u>33,995</u>	<u>33,995</u>
 Total Revenues	 <u>-</u>	 <u>-</u>	 <u>51,448</u>	 <u>51,448</u>
 EXPENDITURES				
Capital outlay				
Water capital costs	<u>2,815,300</u>	<u>3,600,000</u>	<u>3,590,121</u>	<u>9,879</u>
 Total Expenditures	 <u>2,815,300</u>	 <u>3,600,000</u>	 <u>3,590,121</u>	 <u>9,879</u>
 EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	 <u>(2,815,300)</u>	 <u>(3,600,000)</u>	 <u>(3,538,673)</u>	 <u>61,327</u>
 FUNDS AVAILABLE - BEGINNING OF YEAR	 <u>4,159,017</u>	 <u>4,159,017</u>	 <u>7,132,583</u>	 <u>2,973,566</u>
 FUNDS AVAILABLE - END OF YEAR	 <u>\$ 1,343,717</u>	 <u>\$ 559,017</u>	 <u>\$ 3,593,910</u>	 <u>\$ 3,034,893</u>
 Funds available computed as follows:				
Current assets			\$ 3,883,601	
Current liabilities			<u>(289,691)</u>	
			<u>\$ 3,593,910</u>	

The notes to the financial statements are an integral part of these statements.

STONEGATE VILLAGE METROPOLITAN DISTRICT

**RECONCILIATION OF REVENUES AND EXPENDITURES
BUDGETARY BASIS (ACTUAL) TO STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN NET POSITION
ENTERPRISE FUND**

For the Year Ended December 31, 2017

Excess of revenues over expenditures	
Water Activities	\$ 464,991
Sewer Activities	846,361
Capital Activities	<u>(3,538,673)</u>
 Excess of revenues over expenditures - All Activities	 (2,227,321)
 Add capital expenditures which are not an expense	 3,620,312
Add debt service principal which is not an expense	495,000
Add amortization of bond premium which is an expense	67,471
Deduct accrued interest which is not an expenditure	1,441
Deduct amortization of bond insurance which is not an expenditure	(3,814)
Deduct depreciation which is an expense	<u>(2,306,955)</u>
 Changes in Net Position per Statement of Revenues, Expenses and Changes in Net Position	 \$ <u><u>(353,866)</u></u>

The notes to the financial statements are an integral part of these statements.

STONEGATE VILLAGE METROPOLITAN DISTRICT

DEBT SERVICE REQUIREMENTS TO MATURITY

December 31, 2017

<p>\$9,300,000 General Obligation Refunding Loan Series 2014 Interest Rate of 2.60% Payable June 1 and December 1 Principal Due December 1</p>	<p>\$17,120,000 General Obligation Taxable (Convertible to Tax-Exempt) Refunding Loan 2015 Interest Rate Varies from 2.65% to 3.81% Payable June 1 and December 1 Principal Due December 1</p>
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<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Grand Total</u>
2018	475,000	208,130	683,130	1,445,000	361,241	1,806,241	2,489,371
2019	885,000	195,780	1,080,780	1,135,000	322,417	1,457,417	2,538,197
2020	980,000	172,770	1,152,770	1,430,000	292,721	1,722,721	2,875,491
2021	1,030,000	147,290	1,177,290	1,720,000	253,500	1,973,500	3,150,790
2022	1,080,000	120,510	1,200,510	1,805,000	207,287	2,012,287	3,212,797
2023	1,135,000	92,430	1,227,430	1,880,000	158,790	2,038,790	3,266,220
2024	1,185,000	62,920	1,247,920	1,965,000	108,575	2,073,575	3,321,495
2025	<u>1,235,000</u>	<u>32,110</u>	<u>1,267,110</u>	<u>2,065,000</u>	<u>55,483</u>	<u>2,120,483</u>	<u>3,387,593</u>
	<u>\$ 8,005,000</u>	<u>\$ 1,031,940</u>	<u>\$ 9,036,940</u>	<u>\$ 13,445,000</u>	<u>\$1,760,014</u>	<u>\$15,205,014</u>	<u>\$24,241,954</u>
							<u>\$24,241,954</u>

STONEGATE VILLAGE METROPOLITAN DISTRICT

DEBT SERVICE REQUIREMENTS TO MATURITY

December 31, 2017

<p>\$13,040,000 Wastewater Revenue Bonds Series 2014 Interest Rate Varies from 3.00% to 5.00% Payable June 1 and December 1 Principal Due December 1</p>	<p>\$13,825,000 Water Revenue Bonds Series 2015 Interest Rate Varies from 2.00% to 5.00% Payable June 1 and December 1 Principal Due December 1</p>
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<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Grand Total</u>
2018	255,000	520,506	775,506	260,000	586,956	846,956	1,622,462
2019	265,000	510,307	775,307	270,000	579,156	849,156	1,624,463
2020	275,000	499,706	774,706	275,000	571,056	846,056	1,620,762
2021	285,000	488,706	773,706	285,000	562,806	847,806	1,621,512
2022	300,000	477,306	777,306	295,000	551,406	846,406	1,623,712
2023	310,000	465,306	775,306	305,000	539,606	844,606	1,619,912
2024	325,000	449,806	774,806	325,000	524,356	849,356	1,624,162
2025	340,000	433,556	773,556	340,000	508,106	848,106	1,621,662
2026	360,000	416,557	776,557	355,000	491,106	846,106	1,622,663
2027	370,000	404,856	774,856	375,000	473,356	848,356	1,623,212
2028	380,000	392,369	772,369	390,000	454,606	844,606	1,616,975
2029	395,000	379,069	774,069	405,000	442,419	847,419	1,621,488
2030	410,000	364,750	774,750	415,000	429,256	844,256	1,619,006
2031	425,000	348,350	773,350	430,000	415,250	845,250	1,618,600
2032	445,000	331,350	776,350	455,000	393,750	848,750	1,625,100
2033	460,000	313,550	773,550	475,000	371,000	846,000	1,619,550
2034	480,000	295,150	775,150	500,000	347,250	847,250	1,622,400
2035	500,000	275,950	775,950	525,000	322,250	847,250	1,623,200
2036	520,000	255,950	775,950	550,000	296,000	846,000	1,621,950
2037	540,000	235,150	775,150	570,000	274,000	844,000	1,619,150
2038	560,000	213,550	773,550	595,000	251,200	846,200	1,619,750
2039	585,000	191,150	776,150	620,000	227,400	847,400	1,623,550
2040	605,000	167,750	772,750	645,000	202,600	847,600	1,620,350
2041	635,000	137,500	772,500	670,000	176,800	846,800	1,619,300
2042	670,000	105,750	775,750	695,000	150,000	845,000	1,620,750
2043	705,000	72,250	777,250	730,000	115,250	845,250	1,622,500
2044	740,000	37,000	777,000	770,000	78,750	848,750	1,625,750
2045	-	-	-	805,000	40,250	845,250	845,250
	<u>\$ 12,140,000</u>	<u>\$ 8,783,200</u>	<u>\$20,923,200</u>	<u>\$13,330,000</u>	<u>\$10,375,944</u>	<u>\$23,705,944</u>	<u>\$ 44,629,144</u>

STONEGATE VILLAGE METROPOLITAN DISTRICT

SUMMARY OF ASSESSED VALUATION, MILL LEVY AND PROPERTY TAXES COLLECTED

December 31, 2017

<u>Year Ended December 31,</u>	Prior Year Assessed Valuation for Current Year Property Tax Levy	<u>Mills Levied</u>		<u>Total Property Tax</u>		Percent Collected to Levied
		<u>General Fund</u>	<u>Debt Service</u>	<u>Levied</u>	<u>Collected</u>	
2003	\$ 65,854,124	0.830	26.599	\$ 1,806,313	\$ 1,795,062	99.38%
2004	\$ 67,097,970	0.830	26.599	\$ 1,840,430	\$ 1,841,348	100.05%
2005	\$ 67,185,730	0.830	26.599	\$ 1,842,837	\$ 1,850,284	100.40%
2006	\$ 72,645,420	0.813	26.599	\$ 1,991,356	\$ 1,977,271	99.29%
2007	\$ 73,064,410	0.813	26.599	\$ 2,003,841	\$ 1,991,523	99.39%
2008	\$ 78,203,770	0.803	26.599	\$ 2,142,889	\$ 2,203,253	102.82%
2009	\$ 78,880,230	0.803	26.599	\$ 2,161,476	\$ 2,139,639	98.99%
2010	\$ 77,061,120	0.803	26.599	\$ 2,111,629	\$ 2,099,420	99.42%
2011	\$ 76,559,370	0.803	26.599	\$ 2,097,880	\$ 2,094,541	99.84%
2012	\$ 72,156,690	0.803	28.129	\$ 2,087,637	\$ 2,086,622	99.95%
2013	\$ 72,016,190	0.803	27.000	\$ 2,002,266	\$ 1,998,969	99.84%
2014	\$ 71,739,705	0.803	27.000	\$ 1,994,579	\$ 1,989,439	99.74%
2015	\$ 71,598,390	0.803	27.000	\$ 1,990,650	\$ 1,990,660	100.00%
2016	\$ 82,198,420	0.738	25.000	\$ 2,115,623	\$ 2,113,826	99.92%
2017	\$ 82,342,260	0.738	25.000	\$ 2,119,325	\$ 2,118,181	99.95%
Estimated for year ending December 31, 2018	\$ 86,081,850	0.738	25.000	\$ 2,215,575		

NOTE

Property taxes collected in any one year include collection of delinquent property taxes levied and/or abatements or valuations in prior years. Information received from the County Treasurer does not permit identification of specific year assessment.