

SMPG Metropolitan District No. 1  
Weld County, Colorado

AUDITOR'S REPORT AND FINANCIAL STATEMENTS  
December 31, 2017

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**RECEIVED**

Office of the State Auditor

July 17, 2018

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**Haynie &  
Company**

**Certified Public Accountants** (a professional corporation)

1221 West Mineral Ave, Ste. 202 Littleton, Colorado 80120-4544 (303) 734-4800 Fax (303) 795-3356

## **Independent Auditor's Report**

Members of the Board of Directors  
SMPG Metropolitan District No. 1

We have audited the accompanying financial statements of the governmental activities and the major funds of SMPG Metropolitan District No. 1 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 of 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 governmental activities and the major funds of SMPG Metropolitan District No. 1, as of December 31, 2017 and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.



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## **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.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise SMPG Metropolitan District No. 1's financial statements as a whole. The supplementary information section is presented for purposes of additional analysis and is not a required part of the financial statements.

The supplementary information as listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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.



Littleton, Colorado  
July 16, 2018

## **BASIC FINANCIAL STATEMENTS**

**SMPG METROPOLITAN DISTRICT NO. 1**  
**STATEMENT OF NET POSITION**  
**December 31, 2017**

	<u><b>Governmental Activities</b></u>
<b>ASSETS</b>	
Cash	\$ 14,567
Prepaid expenses	667
Due from county	18
Property taxes receivable	16
Total assets	<u>15,268</u>
 <b>LIABILITIES</b>	
Accounts payable	2,891
Accrued developer note - interest payable	13,716
Accrued developer advances - interest payable	93,133
Noncurrent liabilities:	
Due in one year	259,661
Due in more than one year	1,550,000
Total liabilities	<u>1,919,401</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred property tax revenues	16
Total liabilities and deferred inflows of resources	<u>1,919,417</u>
 <b>NET POSITION</b>	
Restricted for:	
Emergency reserves	47,179
Unrestricted (deficit)	(1,951,328)
Total net position (deficit)	<u><u>\$ (1,904,149)</u></u>

**SMPG METROPOLITAN DISTRICT NO. 1**  
**STATEMENT OF ACTIVITIES**  
**Year Ended December 31, 2017**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges</u> <u>for</u> <u>Services</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>	<u>Capital</u> <u>Grants and</u> <u>Contributions</u>	<u>Revenue and</u> <u>Changes in</u> <u>Net Position</u>
					<u>Governmental</u> <u>Activities</u>
Primary government:					
Government activities:					
General government	\$ 18,210	\$ 3,578	\$ -	\$ -	\$ (14,632)
Interest and related costs on long-term debt	26,644	-	-	-	(26,644)
Dedication of capital assets to other government	1,550,000	-	-	-	(1,550,000)
	<u>\$ 1,594,854</u>	<u>\$ 3,578</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(1,591,276)</u>
General revenues:					
Specific ownership taxes					186
Investment earnings					186
Total general revenues					<u>(1,591,090)</u>
Change in net position					(1,591,090)
Net position (deficit) - Beginning					
Net position (deficit) - Ending					<u>\$ (1,591,090)</u>

**SMPG METROPOLITAN DISTRICT NO. 1  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2017**

	<b>General Fund</b>
<b>ASSETS</b>	
Cash	\$ 14,567
Property taxes receivable	16
Due from county	18
Prepaid expenses	667
<b>TOTAL ASSETS</b>	<b>\$ 15,268</b>
<b>LIABILITIES</b>	
Accounts payable	\$ 2,891
Total liabilities	2,891
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Property tax revenue	16
Total liabilities & deferred inflows	2,907
<b>FUND BALANCES</b>	
Nonspendable:	
Prepaid expenses	667
Restricted for:	
Emergency reserves (TABOR)	47,179
Unassigned	(35,485)
Total fund balances	12,361
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	
<p>Amounts reported for governmental activities in the statement of net position are different because:</p> <p style="padding-left: 20px;">Long-term liabilities, including developer advances payable, are not due and payable in the current period and, therefore, are not reported in the funds.</p>	
Developer advances	(259,661)
Developer note payable	(1,550,000)
Accrued developer note - interest payable	(13,716)
Accrued developer advance - interest payable	(93,133)
Net position (deficit) of governmental activities	\$ (1,904,149)

**SMPG METROPOLITAN DISTRICT NO. 1**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year Ended December 31, 2017**

	<b>General Fund</b>
<b>REVENUES</b>	
Service fees-SMPG No. 2	\$ 3,578
Interest income	186
Total revenues	3,764
<b>EXPENDITURES</b>	
Current	
Accounting	5,913
Legal	3,251
Insurance and bonds	3,280
District management	4,587
Other	1,179
Capital Outlay	1,550,000
Total expenditures	1,568,210
<b>EXCESS OF REVENUES OVER (UNDER)</b>	
<b>EXPENDITURES</b>	(1,564,446)
<b>OTHER FINANCING SOURCES (USES)</b>	
Developer advances	22,624
Developer note payable	1,550,000
Total other financing sources (uses)	1,572,624
<b>EXCESS OF REVENUES AND OTHER</b>	
<b>FINANCING SOURCES OVER (UNDER)</b>	
<b>EXPENDITURES AND OTHER USES</b>	8,178
<b>FUND BALANCES - BEGINNING</b>	
<b>OF YEAR</b>	4,183
<b>FUND BALANCES - END OF YEAR</b>	\$ 12,361

**SMPG METROPOLITAN DISTRICT NO. 1  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended December 31, 2017**

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

Net changes in fund balances - Total governmental funds	\$	8,178
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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 net position. The net effect of these differences in the treatment of long-term debt and related items is as follows:

Developer Promissory Note		(1,550,000)
Additions to Developer Advance Payable		(22,624)

The purchase of capital assets uses current resources and is a fund expenditure. The dedication of capital assets to another government represents a loss in the Statement of Activities, but does not use current financial resources in governmental funds.

Purchase of capital assets		1,550,000
Conveyance of capital assets		(1,550,000)

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

Accrued interest on developer advances - Change in liability		(12,928)
Accrued interest on developer note payable - Change in liability		(13,716)

Change in net position of governmental activities	\$	<u>(1,591,090)</u>
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**SMPG METROPOLITAN DISTRICT NO. 1**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**Year Ended December 31, 2017**

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>General Fund (Negative)</u>
<b>REVENUES</b>			
Operating advance	\$ 30,000	\$ 22,624	\$ (7,376)
Service fees	3,535	3,578	43
Interest income & other	-	186	186
Total revenues	<u>33,535</u>	<u>26,388</u>	<u>(7,147)</u>
<b>EXPENDITURES</b>			
Current			
Accounting	5,500	5,913	(413)
District administration & management	5,000	4,587	413
Insurance & risk management	2,625	3,280	(655)
Legal/ election	8,000	3,251	4,749
Office, dues and other	500	1,179	(679)
Contingency	5,000	-	5,000
Total expenditures	<u>26,625</u>	<u>18,210</u>	<u>8,415</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>6,910</u>	<u>8,178</u>	<u>1,268</u>
<b>NET CHANGE IN FUND BALANCE</b>	6,910	8,178	<u>\$ 1,268</u>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>2,810</u>	<u>4,183</u>	
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 9,720</u>	<u>\$ 12,361</u>	

**SMPG METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 1 - DEFINITION OF REPORTING ENTITY**

SMPG Metropolitan District No. 1 (District), a quasi-municipal corporation, was organized in 2004, is governed pursuant to provisions of the Colorado Special District Act (Title 32). The District operates under a service plan initially approved by the Town of Berthoud on September 14, 2004, which was subsequently amended and approved by the Town on April 26, 2005. The District's service area is located in Weld County, Colorado. The District was established to finance public infrastructure required by the development and to provide an ongoing governmental structure for the operations and maintenance of public improvements and facilities.

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements, which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

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

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Government-wide and Fund Financial Statements**

The government-wide financial statements include the statement of net position and the statement of activities. For the most part, the effect of interfund activity has been removed from these statements. These financial statements include all of the activities of the District. Governmental activities are normally supported by property taxes.

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

**SMPG METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

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

The statement of activities demonstrates the degree to which the direct 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. Major individual governmental 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*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Redemption of bonds is recorded as a reduction in liabilities.

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 major sources of revenue susceptible to accrual are property taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. The District determined that Developer advances are not considered as revenue susceptible to accrual. Expenditures, other than interest on long-term obligations are recorded when the liability is incurred or the long-term obligation paid.

The District reports the following major governmental funds:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are derived primarily from property taxes, other taxes and interest income.

**SMPG METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

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

**Budgets**

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year-end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

**Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position**

*Cash and Investments*

The District's cash and investments include 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.

*Property Taxes*

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

Property taxes are considered fully collectible and are recorded initially as deferred inflows of resources in the year they are levied and measurable. Property tax revenues are recorded as revenue in the year they are available or collected

**SMPG METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

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

*Deferred Outflows of Resources and Deferred Inflows of Resources*

A deferred inflow of resources is an acquisition of net position by a government that is applicable to a future reporting period and a deferred outflow of resources is a consumption of net position by a government that is applicable to a future reporting period. Both deferred inflows and outflows are reported in the statement of net position but are not recognized in the financial statement as revenues and expenses until the period(s) to which they relate. Deferred inflows of resources in the governmental fund financial statements of the District for the year ended December 31, 2017 are comprised of property taxes due from Weld County that will not be collected within 60 days of the end of the current fiscal year. Deferred inflows of resources in the government-wide financial statements represents property taxes for which an enforceable legal claim to assets exists, but for which the levy pertains to the subsequent year.

*Long-term Liabilities*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Long-term debt is reported gross.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of 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 amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Capital Assets**

Capital assets, which include property, plant and equipment and infrastructure (e.g. roads, sidewalks and similar items), are reported in the applicable governmental activities column 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. Such assets are recorded in historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

Capital assets, which are anticipated to be conveyed to other governmental entities, are recorded as construction in progress and are not included in the calculation of invested in capital assets, net of related debt component of the District's net position.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

**SMPG METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

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

**Fund Balance – Governmental Funds**

The fund balances for the District’s governmental funds are displayed in up to five components:

*Nonspendable* – amounts that are not in a spendable form or are required to be maintained intact.

*Restricted* – amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

- Emergency Reserves of \$47,179 have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado (see Note 8).

*Committed* – amounts that can be used only for the specific purposes determined by resolution of the Board. Commitments may be changed or lifted only by issuance of a resolution by the District’s Board. There is no committed fund balance for the year ended December 31, 2017.

*Assigned* – Amounts intended to be used by the District for specific purposes as determined by management. In governmental funds other than the General Fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund. There is no assigned fund balance for the year ended December 31, 2017.

*Unassigned* – the residual classification for the General Fund and includes all amounts not contained in the other classifications.

The District considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. The District applies committed amounts first, followed by assigned amounts, and then unassigned amounts when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

**NOTE 3 - CASH AND INVESTMENTS**

**Deposits with Financial Institutions**

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

**SMPG METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

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

The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2017, the District had \$14,567 in cash deposits.

**Investments**

The District has adopted a formal investment policy on November 10, 2017 and the District follows state statutes regarding investments.

The District generally limits its concentration of investments to those noted with an asterisk (\*) below, which are believed to have minimal credit risk, minimal interest rate risk, and no foreign currency risk. Additionally, the District is not subject to concentration risk disclosure requirements or subject to investment custodial risk for investments that are in the possession of another party.

Colorado revised statutes limit investment maturities to three or five years or less (depending upon the type of investment) unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

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

- Obligations of the United States, certain U.S. government agency securities, and securities of the World Bank
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Written repurchase and reverse repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- \* Local government investment

As of December 31, 2017, the District did not have any investments.

**SMPG METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 4 - LONG-TERM OBLIGATIONS**

The following is an analysis of changes in long-term obligations for the year ended December 31, 2017:

	<u>Balance at December 31, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at December 31, 2017</u>	<u>Due Within One Year</u>
Developer advances	\$ 237,037	\$ 22,624	\$ -	\$ 259,661	\$ 259,661
Developer note payable	-	1,550,000	-	1,550,000	-
	<u>\$ 237,037</u>	<u>\$ 1,572,624</u>	<u>\$ -</u>	<u>\$ 1,809,661</u>	<u>\$ 259,661</u>

**Funding and Reimbursement Agreement**

The District has entered into a 2013 Funding and Reimbursement Agreement (“Agreement”) with Front Range Investment Holdings, LLC (“Front Range”). The Agreement provides that Front Range will advance to the District funds required to be paid for the District’s budgeted operations and maintenance expense and general operating expenses of the District. Pursuant to the Forth Amendment to the Agreement, Front Range agreed to fund advances to the District through December 31, 2017.

Pursuant to the Funding and Reimbursement Agreement Front Range agrees to loan to the District one or more sums of money not-to-exceed the aggregate of \$325,000, which constitutes the maximum amount which may be loaned to the District through December 31, 2017, which constitutes the funding obligation term of this Agreement. To evidence the District’s reimbursements obligation to the District, the District issued a subordinate promissory note to Front Range on January 1, 2017 (“Subordinate Note”) with interest at the rate of 2% plus the current Federal Reserve Prime Rate or at the rate of 6%, whichever rate is greater, compounded annually, from the date such loan is made to the District. The terms of the Subordinate Note provide for a maturity date of December 31, 2017, and further provide that if the District cannot repay all amounts due and owing at the maturity date, the District will issue a new note with similar terms, with a maturity date of December 31 of the succeeding year.

As of December 31, 2017, the District accumulated \$259,661 in developer advances and accrued interest of \$93,133.

**Improvement Reimbursement Agreement**

On November 10, 2017; the District entered into an Improvement Reimbursement Agreement with Front Range Investment Holdings, LLC (“Front Range”) to set forth Front Range’s (“Improvements”) funding responsibilities for the construction of water and wastewater improvements by the Town of Berthoud for the benefit of the District and surrounding properties and the District’s reimbursement obligation to Front Range of such funding. Pursuant to the Agreement, Front Range has contributed \$1,550,000 to the Town for the construction of the Improvements.

**SMPG METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

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

To evidence the District's reimbursement obligation to Front Range, the District issued a Subordinate Promissory Note to Front Range in the amount of \$1,550,000. The Subordinate Note issued bears interest at the rate of 2% plus the current Federal Reserve Bank Prime Rate or 6%, whichever is greater, with a maturity date of November 9, 2057. The District is obligated to repay the Subordinate Note contingent upon the receipt of funds from certain revenue sources, including bond proceeds, revenues from ad valorem mill levies imposed and any other legally available revenues of the District. The Subordinate Note may be prepaid in whole at any time without redemption premium or other penalty, but with interest accrued to the date of prepayments on the principal amount prepaid.

As of December 31, 2017, the Subordinate Note accrued interest of \$13,716.

**NOTE 5 – CAPITAL ASSETS**

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

	<b>Balance at December 31, 2016</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance at December 31, 2017</b>
Capital assets not being depreciated:				
Capital outlay	\$ -	\$ 1,550,000	\$ (1,550,000)	\$ -
	\$ -	\$ 1,550,000	\$ (1,550,000)	\$ -

**NOTE 6 - NET POSITION**

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

Restricted assets include assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had restricted net position of \$47,179 as of December 31, 2017 as follows:

Restricted net position:	
Emergencies	\$ <u>47,179</u>
	\$ <u>47,179</u>

The District's unrestricted net position (deficit) as of December 31, 2017 totaled (\$1,951,328). This deficit amount was a result of the District being responsible for the repayment of debt incurred for public improvements that have been conveyed to other governmental entities.

**SMPG METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 7 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees, or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2017. The Pool is an organization created by intergovernmental agreement to provide property, liability, public official's liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for liability, property, public official's liability and workers compensation coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

**NOTE 8 - TAX, SPENDING AND DEBT LIMITATIONS**

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

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

On November 4, 2003, the District's voters approved the retention of all property taxes and all other District revenue in 2003 and annually thereafter without limitation of under TABOR or other laws.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to legal interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits, may require judicial interpretation.

**SUPPLEMENTAL INFORMATION**

**SMPG METROPOLITAN DISTRICT NO. 1  
SUMMARY OF ASSESSED VALUATION,  
MILL LEVY AND PROPERTY TAXES COLLECTED  
December 31, 2017**

<b>Year Ended December 31,</b>	<b>Prior Year Assessed Valuation for Current Year Tax Levy</b>	<b>Mills Levied Operations</b>	<b>Total Property Taxes</b>		<b>Percent Collected to Levied</b>
			<b>Levied</b>	<b>Collected</b>	
2011	\$ 570	0.000	\$ -	\$ -	0.00%
2012	\$ 680	0.000	\$ -	\$ -	0.00%
2013	\$ 140	0.000	\$ -	\$ -	0.00%
2014	\$ 170	0.000	\$ -	\$ -	0.00%
2015	\$ 9,220	0.000	\$ -	\$ -	0.00%
2016	\$ 210	0.000	\$ -	\$ -	0.00%
2017	\$ 210	0.000	\$ -	\$ -	0.00%
Estimated for the year ending December 31, 2018	\$ 240	15.000	\$ 16		