SOUTH TIMNATH METROPOLITAN DISTRICT
DISTRICT NO. 1

BASIC FINANCIAL STATEMENTS

December 31, 2017

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FINANCIAL SECTION

JOHN CUTLER & ASSOCIATES

Board of Directors
South Timnath Metropolitan District No. 1
Timnath, Colorado

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the South Timnath Metropolitan District No. 1, as of December 31, 2017, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 18 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has not presented the management's discussion and analysis that governmental 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 is not affected by this missing information.

John Cutler & Associates, LLC

July 31, 2018

BASIC FINANCIAL STATEMENTS

SOUTH TIMNATH METROPOLITAN DISTRICT NO. 1

STATEMENT OF NET POSITION
As of December 31, 2017

	Governmental Activities	
	2017	2016
ASSETS		
Cash and Investments	$ 365,556	$ 385,803
Accounts Receivable	22,309	10,782
Capital Assets, depreciated, net of accumulated depreciation	10,809,736	11,272,736
TOTAL ASSETS	11,197,601	11,669,321
LIABILITIES		
Accounts Payable	107	10,667
Unearned Revenue	33,618	23,105
Accrued Interest Payable	-	22,767
Noncurrent Liabilities		
Due within One Year	-	535,000
TOTAL LIABILITIES	33,725	591,539
NET POSITION		
Investment in Capital Assets	10,809,736	10,737,736
Restricted	19,600	14,200
Unrestricted	334,540	325,846
TOTAL NET POSITION	$ 11,163,876	$ 11,077,782

See the accompanying independent auditors' report.

SOUTH TIMNATH METROPOLITAN DISTRICT NO. 1

STATEMENT OF ACTIVITIES
Year Ended December 31, 2017

FUNCTIONS/PROGRAMS	Expenses	Program Revenues Charges for Services	Net (Expense) Revenue and Changes in Net Position Governmental Activities 2017	2016
PRIMARY GOVERNMENT				
Governmental Activities				
General Government	$ 1,119,875	$ 651,714	$ (468,161)	$ (687,339)
Interest on Long-tem Debt	121,889	-	(121,889)	
Total Governmental Activities	$ 1,119,875	$ 651,714	(590,050)	(687,339)
GENERAL REVENUES				
Taxes			1,942	6,629
Interest			2,963	186
Miscellaneous			28,316	12,325
SPECIAL ITEMS				
Transfer from District No. 2			642,923	111,937
TOTAL GENERAL REVENUES			676,144	131,077
CHANGE IN NET POSITION			86,094	(556,262)
NET POSITION, Beginning			11,077,782	11,634,044
NET POSITION, Ending			$ 11,163,876	$ 11,077,782

See the accompanying independent auditors' report.

SOUTH TIMNATH METROPOLITAN DISTRICT NO. 1

BALANCE SHEET
GOVERNMENTAL FUNDS
As of December 31, 2017

	GENERAL FUND	
	2017	2016
ASSETS		
Cash and Investments	$ 365,556	$ 385,803
Accounts Receivable	22,309	10,782
TOTAL ASSETS	$ 387,865	$ 396,585
LIABILITIES AND FUND EQUITY		
LIABILITIES		
Accounts Payable	$ 107	$ 10,667
Unearned Revenue	33,618	23,105
TOTAL LIABILITIES	33,725	33,772
FUND EQUITY		
Fund Balance		
Restricted for Emergencies	19,600	14,200
Unassigned	334,540	348,613
TOTAL FUND EQUITY	354,140	362,813
TOTAL LIABILITIES AND FUND EQUITY	$ 387,865	$ 396,585
Amounts reported for governmental activities in the statement of Net Position are different because:		
Fund balance, governmental funds	354,140	362,813
Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	10,809,736	11,272,736
Long-term liabilities are not due and payable in the current period and are not reported in the funds.	-	(557,767)
Net Position of governmental activities	$ 11,163,876	$ 11,077,782

See the accompanying independent auditors' report.

SOUTH TIMNATH METROPOLITAN DISTRICT NO. 1

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended December 31, 2017

	GENERAL FUND	
	2017	2016
REVENUES		
Taxes	$ 1,942	$ 6,629
Charges for Services	651,714	452,572
Interest and Other	31,279	12,511
TOTAL REVENUES	684,935	471,712
EXPENDITURES		
Current		
General Government	656,875	650,170
Debt Service		
Principle	535,000	-
Interest and Other Fiscal Charges	144,656	-
TOTAL EXPENDITURES	1,336,531	650,170
EXCESS OF REVENUES OVER (UNDER) EXPENSES	(651,596)	(178,458)
OTHER FINANCING SOURCES		
Transfer from Other District	642,923	111,937
Proceeds from Developer Advances	-	345,000
TOTAL OTHER FINANCING SOURCES	642,923	456,937
NET CHANGE IN FUND BALANCES	(8,673)	278,479
FUND BALANCES, Beginning	362,813	84,334
FUND BALANCES, Ending	$ 354,140	$ 362,813

See the accompanying independent auditors' report.

SOUTH TIMNATH METROPOLITAN DISTRICT NO. 1

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - 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	$	(8,673)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of depreciation expense for the current period.		(463,000)
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This includes the increase in accrued interest of $22,767 and developer advance payment of $535,000.		557,767
Change in Net Position of Governmental Activities	$	86,094

See the accompanying independent auditors' report.

NOTE 1: ***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

The South Timnath Metropolitan District No. 1 was formed to provide public services and improvements for the District and surrounding area within its boundaries. The District is governed by a five-member Board of Directors elected by the constituents.

The accounting policies of the South Timnath Metropolitan District No. 1 (the "District") conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

Reporting Entity

In accordance with governmental accounting standards, the South Timnath Metropolitan District No. 1 has considered the possibility of inclusion of additional entities in its financial statements.

The definition of the reporting entity is based primarily on financial accountability. The District is financially accountable for organizations that make up its legal entity. It is also financially accountable for legally separate organizations if District officials appoint a voting majority of the organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the District. The District may also be financially accountable for organizations that are fiscally dependent upon it.

Based on the application of these criteria, the District does not include additional organizations in its reporting entity.

Government-Wide and Fund Financial Statements

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. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are 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.

The statement of activities demonstrates the degree to which the direct expenses of the 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.*

NOTE 1: ***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*** (Continued)

Government-Wide and Fund Financial Statements (Continued)

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 the liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 collected 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.

Service fees, grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

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

In the fund financial statements, 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 District, except those required to be accounted for in another fund.

NOTE 1: ***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*** (Continued)

Cash and Investments

Cash equivalents include investments with original maturities of three months or less.

Investments are recorded at fair value.

Capital Assets

Capital assets, which include property and equipment, are reported in the 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 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

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

Property and equipment of the District is depreciated using the straight line method over the estimated useful lives between fifteen and thirty years.

Long-Term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the governmental activities fund type statement of net position.

The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

NOTE 1: ***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*** (Continued)

Net Position

The government-wide financial statements, utilize a net position presentation. Net position is categorized as investment in capital assets, restricted, and unrestricted.

Investment in Capital Assets includes the District's capital assets (net of accumulated depreciation) reduced by the outstanding balances of bonds that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position includes assets that have third-party (statutory, bond covenant, or granting agency) limitations on their use. The District typically uses restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use until a future project.

Unrestricted Net Position typically includes unrestricted liquid assets. The Board has the authority to revisit or alter this designation.

Net Position/Fund Balance Classification

In the government-wide financial statements, net position is restricted when constraints placed on the net position are externally imposed.

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The District has classified Emergency Reserves as being restricted because their use is restricted by State Statute for declared emergencies.

NOTE 1: ***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*** (Continued)

Net Position/Fund Balance Classification (Continued)

- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

  The District did not have any committed resources as of December 31, 2017.

- Unassigned – This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The District would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned.

Property Taxes

Property taxes are levied on December 15 and attach as an enforceable lien on property on January 1. Taxes are payable in full on April 30 or in two installments on February 28 and June 15. The County Treasurer's office collects property taxes and remits to the District on a monthly basis.

Property taxes are assessed and submitted to South Timnath Metropolitan District No. 2 and forwarded to the District as a payment for administrative and other services. These payments are labeled as Charges for Services in the financial statements.

Comparative Data

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. However, complete comparative data in accordance with generally accepted accounting principles has not been presented since its inclusion would make the financial statements unduly complex and difficult to read.

Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 2: ***STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY***

Budgets and Budgetary Accounting

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- On or before October 15th, District Management submits to the Board of Directors a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to December 31, the budget is legally enacted through passage of a resolution.
- District Management is authorized to transfer budgeted amounts between departments within any fund. However, any revisions that alter the total expenditures of any fund must be approved by the Board of Directors.
- Budgets are legally adopted for all funds of the District on a basis consistent with generally accepted accounting principles (GAAP).
- Budgeted amounts in the financial statements are as originally adopted or as amended by the Board of Directors. All appropriations lapse at year end.

NOTE 3: ***CASH AND INVESTMENTS***

A summary of deposits and investments as of December 31, 2017 follows:

Deposits	$ 120,765
Investments	244,791
Total	**$ 365,556**

NOTE 3: ***CASH AND INVESTMENTS*** (Continued)

Deposits

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. 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 regulations. At December 31, 2017, State regulatory commissioners have indicated that all financial institutions holding deposits for the District are eligible public depositories.

Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. 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 uninsured deposits. The District has no policy regarding custodial credit risk for deposits.

At December 31, 2017, the District had deposits with financial institutions with a carrying amount of $120,765. The bank balances with the financial institutions were $135,342. All of these balances were covered by federal depository insurance.

Investments

Interest Rate Risk

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Colorado statutes specify in which instruments the units of local government may invest which includes:

- Obligations of the United States and certain U.S. government agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper

NOTE 3: ***CASH AND INVESTMENTS*** (Continued)

Investments (Continued)

Credit Risk (Continued)

- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts

The above investments are authorized for all funds and fund types used by Colorado municipalities.

Fair Value

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant observable inputs. The District had no investments requiring fair value measurement as of December 31, 2017.

Local Government Investment Pools

The District had invested $244,791 in the Colorado Government Liquid Asset Trust (ColoTrust) which has a credit rating of AAAm by Standard and Poor's. ColoTrust is an investment vehicle established for local government entities in Colorado to pool surplus funds and is regulated by the State Securities Commissioner. It operates similarly to a money market fund and each share is equal in value to $1.00. Investments consist of U.S. Treasury and U.S. Agency securities, and repurchase agreements collateralized by U.S. Treasury and U.S. Agency securities. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by the entities.

ColoTrust is not a 2a7-like external investment pool. The unit of account is each share held, and the value of the position would be the fair value of the pool's share price multiplied by the number of shares held. The government-investor does not "look through" the pool to report a pro rata share of the pool's investments, receivables, and payables.

NOTE 4: *CAPITAL ASSETS*

Capital assets activity for the year ended December 31, 2017, is summarized below:

	Balances 12/31/16	Additions	Deletions	Balances 12/31/17
Governmental Activities				
Capital Assets, depreciated				
Infrastructure				
Organization Costs	$ 81,154	$ -	$ -	$ 81,154
Sewer/Sanitation	3,417,213	-	-	3,417,213
Landscape	4,176,167	-	-	4,176,167
Dirt work	653,185	-	-	653,185
Mailboxes	10,101	-	-	10,101
Dry Utilities	723,894	-	-	723,894
Community Center & Pool	1,589,622	-	-	1,589,622
Traffic and Safety	2,282,898	-	-	2,282,898
Total Capital Assets, depreciated	12,934,234	-	-	12,934,234
Less Accumulated Depreciation				
Infrastructure				
Organization Costs	22,158	2,705	-	24,863
Sewer/Sanitation	421,256	113,907	-	535,163
Landscaping	1,017,303	167,047	-	1,184,350
Dirt work	26,127	26,127	-	52,254
Mailboxes	10,101	-	-	10,101
Dry Utilities	24,130	24,130	-	48,260
Community Center & Pool	52,987	52,987	-	105,974
Traffic and Safety	87,436	76,097	-	163,533
Total Accumulated Depreciation	1,661,498	463,000	-	2,124,498
Governmental Activities, Capital Assets, Net	**$ 11,272,736**	**$ (463,000)**	**$ -**	**$ 10,809,736**

Depreciation expense was charged to the General Government activity.

NOTE 5: *LONG-TERM DEBT*

Following is a summary of long-term debt transactions for the governmental activities for the year ended December 31, 2017.

	Balance 12/31/16	Additions	Payments	Balance 12/31/17	Due In One Year
Capital Note	$ 535,000	$ -	$ 535,000	$ -	$ -
Total	**$ 535,000**	**$ -**	**$ 535,000**	**$ -**	**$ -**

Capital Note

On November 12, 2016, the District entered into a Funding and Reimbursement Agreement (the "Capital Agreement") with Timnath Development Company, Inc. (the "Developer") to provide financing for administration, operations, and maintenance cost, including, but not limited to, legal, accounting, design, engineering and management cost relating thereto, associated with the provision of certain public improvements, facilities and services. Pursuant to the Capital Agreement, the Developer agreed to loan the District amounts not to exceed $400,000. As of December 31, 2017, the District exceed the maximum amount by $135,000. No amended agreement was ratified by the District at year end.

Pursuant to the Capital Agreement, the District made a note to the Developer further evidencing the District's obligation to make repayment of all amounts borrowed from the Developer (the "Capital Note"). The terms of the Capital Note provide for a maturity date of November 12, 2017, and further provide that in the event the District cannot repay all amounts due and owing at the maturity date, the District shall make a new note on similar terms, with a maturity date of November 12 of the succeeding year. Simple interest is accrued at 2% plus the current Federal Reserve Board Prime Rate per annum from the date of any advances made.

NOTE 6: *RELATED PARTIES*

All of the members of the Board of Directors are either investors in the Developer, or otherwise affiliated with the Developer.

NOTE 7: ***RISK MANAGEMENT***

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The District participates in the Colorado Special Districts Property and Liability Insurance Pool. The Pool insures property and liability exposures through contributions made by member districts. The District does not maintain an equity interest in the self-insurance pool. The District funds its pool contributions, outside insurance purchases, deductibles, and uninsured losses through the General Fund. Settled claims resulting from these risks have not exceeded commercial or District coverages in any of the past three years.

NOTE 8: ***DEBT AUTHORIZATION***

On May 2, 2006, a majority of the qualified electors of the District authorized the issuance of general obligation indebtedness as follows:

- An amount not to exceed $160,000,000 at an interest rate not to exceed 15% per annum, for providing public improvements; and
- An amount not to exceed $20,000,000 at an interest rate not to exceed 15% per annum, for IGA purposes; and
- An amount not to exceed $40,000,000 at an interest rate not to exceed 15% per annum, for refunding purposes.
-
- An amount not to exceed $20,000,000 at an interest rate not to exceed 15% per annum, for operations and maintenance purposes; and
- An amount not to exceed $20,000,000 at an interest rate not to exceed 15% per annum, for mosquito and security purposes; and
- An amount not to exceed $20,000,000 at an interest rate not to exceed 15% per annum, for reimbursement agreement purposes.

The District's Service Plan includes a debt authorization limit of $20,000,000.

As of December 31, 2017, the amount of debt authorized but unissued was $20,000,000. The District intends to issue over time a part 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.

NOTE 9: ***COMMITMENTS AND CONTINGENCIES***

TABOR Amendment - Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local government. The Amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of the Amendment.

The District has established an emergency reserve, representing 3% of fiscal year spending (excluding debt service), as required by the Amendment. At December 31, 2017, the emergency reserve of $19,600 was recorded in the General Fund.

NOTE 10: ***SUBSEQUENT EVENTS***

The District has evaluated subsequent events through the date which the financial statements were issued. There were no material subsequent events that required recognition or additional disclosure.

REQUIRED SUPPLEMENTAL INFORMATION

SOUTH TIMNATH METROPOLITAN DISTRICT NO. 1

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended December 31, 2017

	2017				
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)	2016 ACTUAL
REVENUES					
Taxes	$ 5	$ 5	$ 1,942	$ 1,937	$ 6,629
Charges for Services	654,060	654,060	651,714	(2,346)	452,572
Interest and Other	6,000	6,000	31,279	25,279	12,511
TOTAL REVENUES	660,065	660,065	684,935	24,870	471,712
EXPENDITURES					
Current					
General Government					
Accounting and Administration	23,000	24,000	27,000	(3,000)	23,750
District Management	45,500	46,000	46,946	(946)	46,479
Insurance	18,017	18,017	18,016	1	15,628
Legal Expenses	9,000	9,000	9,958	(958)	17,429
Office, Dues and Other	16,450	16,450	11,729	4,721	12,643
Repairs and Maintenance	392,457	391,457	406,706	(15,249)	397,854
Community Center & Pool	135,839	135,839	136,520	(681)	136,387
Debt Service					
Principle	-	535,000	535,000	-	-
Interest		144,114	144,656	(542)	-
Contingency	19,802	19,302	-	19,302	-
TOTAL EXPENDITURES	660,065	1,339,179	1,336,531	2,648	650,170
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(679,114)	(651,596)	27,518	(178,458)
OTHER FINANCING SOURCES					
Transfer from Other District	-	679,114	642,923	(36,191)	111,937
Proceeds from Developer Advances	-	-	-	-	345,000
TOTAL OTHER FINANCING SOURCES	-	679,114	642,923	(36,191)	456,937
NET CHANGE IN FUND BALANCE	-	-	(8,673)	(8,673)	278,479
FUND BALANCE, Beginning	464,775	464,775	362,813	(101,962)	84,334
FUND BALANCE, Ending	$ 464,775	$ 464,775	$ 354,140	$ (110,635)	$ 362,813

See the accompanying independent auditors' report.