

COLLIERS HILL METROPOLITAN DISTRICT NO. 1

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

E

RECEIVED

Office of the State Auditor

June 5, 2018

**COLLIERS HILL METROPOLITAN DISTRICT NO. 1
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2017**

INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	8
STATEMENT OF ACTIVITIES	9
FUND FINANCIAL STATEMENTS	
BALANCE SHEET	10
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUND TO THE STATEMENT OF NET POSITION	11
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUND	12
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES	13
NOTES TO FINANCIAL STATEMENTS	14
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND	26

INDEPENDENT AUDITORS' REPORT

Board of Directors
Colliers Hill Metropolitan District No. 1
Erie, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of Colliers Hill 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 entity'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.

Auditors' 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 auditors' 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 fund of Colliers Hill Metropolitan District No. 1 as of December 31, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison information on pages 3-7 and page 26 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.



CliftonLarsonAllen LLP

Greenwood Village, Colorado
May 29, 2018

**COLLIERS HILL METROPOLITAN DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**

The discussion and analysis is designed to provide an analysis of Collier's Hill Metropolitan District No.1 (District) financial condition and operating results and to inform the reader on the District's financial issues and activities.

The Management's Discussion and Analysis (MD & A) should be read in conjunction with the District's financial statements.

Financial Highlights

- The net position of the District decreased by \$9,397,916 in 2017, to (\$30,694,353). An overall net deficit is typical in a metropolitan district, which transfers its capital assets to another government entity (city, town, etc.) after construction is complete but retains the related debt in the district until it is paid off.
- Budgeted expenditures exceeded actual expenditures by \$3,005.
- The District has one Bond Anticipation Note outstanding, the 2013 Bond Anticipation Note, which is scheduled to be fully retired in 2018.
- Capital assets decreased by \$7,312,754 in 2017. The District added \$2,721,524 in capital improvements and conveyed \$10,034,278 of capital improvements to the Town of Erie.

Overview of the Financial Statements

Management's discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The basic financial statements, presented on pages 8-24 are comprised of three components: 1) Government-wide financial statements, 2) Fund financial statements, and 3) Notes to the basic financial statements. This report also contains other required supplementary information is presented on page 26.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader of the District's basic financial statements a broad overview of the financial activities in a manner similar to a private sector business. The government-wide financial statements include the statement of net position and the statement of activities.

The statement of net position presents information about all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The difference is reported as the net position. Over time, changes in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the net position of the District changed during the current fiscal year. Changes in net position are recorded in the statement of activities when the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement even though the resulting cash flow may be recorded in a future period.

**COLLIERS HILL METROPOLITAN DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017**

The government-wide financial statements consolidate governmental activities that are supported from taxes and intergovernmental revenues. Governmental activities consolidate governmental funds including the general fund. The government-wide financial statements can be found on pages 8-9.

Fund Financial Statements

Fund financial statements are designed to demonstrate compliance with finance-related legal requirements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for special objectives. The District uses governmental funds to account for its activity.

Governmental funds account for essentially the same information reported in the governmental activities of the government-wide financial statements. However, unlike the government-wide statements, the governmental fund financial statements focus on near-term financial resources and fund balances. Such information may be useful in evaluating financing requirements in the near term.

Since the governmental funds and the governmental activities report information using the same functions, it is useful to compare the information presented. Because the focus of each report differs, reconciliations are provided on the fund financial statements to assist the reader in comparing the near-term requirements with the long-term needs.

All of the District's activities are reported in a single governmental fund, the general fund, which focuses on how money flows into and out of that fund and the balance left at year-end available for spending in future periods.

The District adopts an annual budget for the governmental fund. A budgetary comparison schedule for the general fund is included in the required supplementary information.

The basic governmental fund financial statements can be found on pages 10-13 of this report.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes can be found on pages 14-24 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also contains required supplementary information concerning the District's budgetary comparisons. Required supplementary information can be found on page 26 of this report.

**COLLIERS HILL METROPOLITAN DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017**

Government-wide Financial Analysis

Government-wide Net Position

The assets of the District are classified as current assets and capital assets. Cash, investments and accounts receivables are current assets. These assets are available to provide resources for the near-term operations of the District.

Capital assets are used in the operations of the District. These assets represent the construction in progress of the District. Capital assets decreased by \$7,312,754 during the current year due to capital improvement additions of \$2,721,524 and capital improvements conveyed to the town of Erie for \$10,034,278.

Current and noncurrent liabilities are classified based on anticipated liquidation either in the near-term or in the future. Current liabilities include accounts payable and current portion of long-term debt. The liquidation of current liabilities is anticipated to be either from current available resources, current assets or new resources that become available during fiscal year 2018.

The liabilities and deferred inflows of resources of the primary government activities exceed assets by \$30,694,353, with an unrestricted net position of (\$30,696,700) The District has \$2,347 restricted for emergencies as required by Article X, Section 20 of the Constitution of the State of Colorado.

Government-wide Total Assets as compared to Total Liabilities, Deferred Inflows of Resources and Total Net Position:

	Net Position	
	2017	2016
Assets:		
Current	\$ 1,283,407	\$ 3,787,517
Construction in Process	2,108,859	9,421,613
Total Assets	3,392,266	13,209,130
Liabilities:		
Current	548,713	1,903,785
Noncurrent	33,462,987	32,582,537
Total Liabilities	34,011,700	34,486,322
Deferred Inflow of Resources:		
Property Tax Revenue	74,919	19,245
Total Deferred Inflow of Resources	74,919	19,245
Net Position:		
Restricted	2,347	1,405
Unrestricted	(30,696,700)	(21,297,842)
Total Net Position	\$ (30,694,353)	\$ (21,296,437)

**COLLIERS HILL METROPOLITAN DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017**

Government-wide Activities

All of the District's programs and services are reported as governmental activities. Government activities decreased the net position of the District by \$9,397,916. The details of this decrease in net position are shown in the following schedule:

The District's Changes in Net Position

	Governmental Activities	
	2017	2016
Revenues:		
General Revenue:		
Property Taxes	\$ 22,954	\$ 83,249
Specific Ownership Taxes	31,935	13,661
Intergovernmental Revenue	2,405,556	758,693
Reimbursement Income	25,711	262,548
Miscellaneous Income	-	935
Investment Income	2,344	481
Total Revenue	2,488,500	1,119,567
Expenses:		
Governmental Activities:		
General Government	156,346	219,948
Public Works	10,034,278	9,283,306
Interest and Other Fiscal Charges	2,303,434	2,545,554
Total Expense	12,494,058	12,048,808
Debt Forgiveness	607,642	
Total Change in Net Position	(9,397,916)	(10,929,241)
Net Position - Beginning of Year	(21,296,437)	(10,367,196)
Net Position - End of Year	\$ (30,694,353)	\$ (21,296,437)

Key elements of the decrease in net position for governmental activities are as follows:

- Intergovernmental revenue increased by \$1,646,863, primarily because of a cost reimbursement by the Town of Erie for Storm Drainage System improvements in 2017.
- Assets conveyed to the Town of Erie totaled \$10,034,278.

**COLLIERS HILL METROPOLITAN DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017**

Financial Analysis of the District's Governmental Fund

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

All of the District's activity is reported in a governmental fund, which focuses on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine where there are more or fewer financial resources that can be spent in the near future. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's one governmental fund, the general fund, reported an ending fund balance of \$1,035,899. Fund balance of \$684,544 is restricted for emergencies and capital projects. Nonspendable fund balance of \$12,657 is made up of pre-paid expenses that will benefit future periods.

The general fund is the chief operating fund of the District. As a measure of the general fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Actual expenditures of the general fund amounted to \$9,834,061. Total general fund balance represents 10.5% of expenditures.

General Fund Budgetary Highlights

The fund balance for the general fund decreased by \$1,536,184, resulting in an ending fund balance of \$1,035,899.

Economic Factors and Next Year's Budgets and Rates

Capital expenditures in 2018 are projected to total \$3,190,971 which will be financed by existing escrows and loan proceeds.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District. Questions concerning any of the information provided in this report or requests for additional information shall be addressed to:

Colliers Hill Metropolitan District No. 1
Mr. Steve Rane
2500 Arapahoe, Suite 220
Boulder, Colorado 80302

COLLIERS HILL METROPOLITAN DISTRICT NO. 1
STATEMENT OF NET POSITION
DECEMBER 31, 2017

	Governmental Activities
ASSETS	
Cash and Investments	\$ 511,500
Restricted Cash	682,197
Property Tax Receivable	74,919
Prepaid Items	12,657
Due from County Treasurer	2,134
Construction in Progress	2,108,859
Total Assets	3,392,266
LIABILITIES	
Accounts Payable	99,723
Retention Payable	72,866
Accrued Interest and Non-Use Fees	376,124
Noncurrent Liabilities:	
Due in More than One Year:	
2013 BAN	16,618,100
Developer Advances	3,027,780
2016A Notes	13,817,107
Total Liabilities	34,011,700
DEFERRED INFLOWS OF RESOURCES	
Property Tax Revenue	74,919
Total Deferred Inflows of Resources	74,919
NET POSITION	
Restricted for Emergencies	2,347
Unrestricted	(30,696,700)
Total Net Position	\$ (30,694,353)

See accompanying Notes to Financial Statements.

COLLIERS HILL METROPOLITAN DISTRICT NO. 1
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017

Functions/Programs	Expenses	Program Revenue Charges for Services	Net (Expense) Revenue and Changes in Net Position Governmental Activities
Governmental Activities:			
General Government	\$ 156,346	\$ -	\$ (156,346)
Public Works	10,034,278	2,431,267	(7,603,011)
Interest and Related Costs on Long-Term Debt	2,303,434	-	(2,303,434)
	\$ 12,494,058	\$ 2,431,267	(10,062,791)
General Revenues:			
			22,954
			31,935
			2,344
			57,233
Special Item:			
			607,642
			Change in Net Position
			(9,397,916)
			Net Position - Beginning of Year
			(21,296,437)
			Net Position - End of Year
			\$ (30,694,353)

See accompanying Notes to Financial Statements.

**COLLIERS HILL METROPOLITAN DISTRICT NO. 1
BALANCE SHEET
DECEMBER 31, 2017**

	<u>General Fund</u>
ASSETS	
Cash and Investments	\$ 511,500
Restricted Cash	682,197
Property Tax Receivable	74,919
Prepaid Items	12,657
Due from County Treasurer	<u>2,134</u>
Total Assets	<u><u>\$ 1,283,407</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	
LIABILITIES	
Accounts Payable	\$ 99,723
Retention Payable	72,866
Total Liabilities	<u>172,589</u>
DEFERRED INFLOWS OF RESOURCES	
Property Tax Revenue	<u>74,919</u>
Total Deferred Inflows of Resources	74,919
FUND BALANCE	
Non-spendable	12,657
Restricted for TABOR	2,347
Restricted for Capital Projects	682,197
Unassigned	<u>338,698</u>
Total Fund Balance	<u>1,035,899</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u><u>\$ 1,283,407</u></u>

See accompanying Notes to Financial Statements.

**COLLIERS HILL METROPOLITAN DISTRICT NO. 1
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUND TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2017**

Total Fund Balance - Total Governmental Fund		\$ 1,035,899
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 fund balance sheet.		
Construction in Progress		2,108,859
Accrued interest payable is recognized for governmental activities, but is not due and payable in the current period and, therefore, is not reported as a liability in the governmental fund.		
		(376,124)
Some liabilities, including bonds and notes payable, are not due in the current period and, therefore, are not reported in the fund balance sheet.		
Developer Advances		(3,027,780)
2013 BAN		(16,618,100)
2016 Series Note		(13,817,107)
		<u>(33,462,987)</u>
Net Position of Governmental Activities		<u>\$ (30,694,353)</u>

**COLLIERS HILL METROPOLITAN DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – GOVERNMENTAL FUND
YEAR ENDED DECEMBER 31, 2017**

	General Fund
REVENUES	
Property Tax Income	\$ 22,954
Specific Ownership Taxes	31,935
Net Investment Income	2,344
Intergovernmental - Town of Erie	2,405,556
Reimbursement Income	25,711
Total Revenues	2,488,500
EXPENDITURES	
Current:	
Audit and Accounting	62,005
Insurance	3,599
Legal	18,577
Letter of Credit	64,048
Other	1,914
Director Fees	30
Treasurer Fees	6,173
Debt Service:	
Principal	4,321,284
Interest and Fiscal Charges	2,570,310
Loan Origination Fees	64,595
Capital Outlay	2,721,525
Total Expenditures	9,834,060
DEFICIENCY OF REVENUE OVER EXPENDITURES	(7,345,560)
OTHER FINANCING SOURCES	
Proceeds from Developer Advances	375,000
Proceeds from 2016 Debt Instruments	5,434,376
Total Other Financing Sources	5,809,376
NET CHANGE IN FUND BALANCES	(1,536,184)
Fund Balance - Beginning of Year	2,572,083
FUND BALANCE - END OF YEAR	\$ 1,035,899

See accompanying Notes to Financial Statements.

**COLLIERS HILL METROPOLITAN DISTRICT NO. 1
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND TO
THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017**

Net Change in Fund Balance - Total Governmental Fund \$ (1,536,184)

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

Governmental fund reports capital outlays as expenditures. However, for government activities, those capital outlays other than noncapitalizable items are shown in the statement of activities at cost.

Capital Outlay 2,721,524

The issuance of long-term debt provides current financial resources to the governmental fund, while the repayment of the principal on long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

Loan Proceeds from Developer Advances	(375,000)
Loan Proceeds on 2016 Debt Instruments	(5,434,376)
Payment of Principal	4,321,284
Debt forgiveness	607,642

Accrued interest expense reported in the statement of activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental fund.

Accrued Interest and Non-Use Fees 331,472

Transfers of capital improvements to other entities decrease net position in the statement of activities. This transaction is not reported in the governmental fund as it is not a current use of financial resources.

(10,034,278)

Change in Net Position of Governmental Activities

\$ (9,397,916)

COLLIERS HILL METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1 DEFINITION OF REPORTING ENTITY

Colliers Hill Metropolitan District No. 1 (the District) is a quasi-municipal corporation located within the Town of Erie, Colorado formed by election in May 2008. The District and the Town of Erie have entered into an Intergovernmental Agreement as required by the Erie Code, which implemented the District Service Plan and limited certain District statutory powers. The District is governed pursuant to provisions of the Colorado Special District Act to finance construction, operation and maintenance of the facilities located within the Colliers Hill Metropolitan Districts No. 1, No. 2 and No. 3. In June 2014, Daybreak Metropolitan Districts 1, 2, and 3 formally changed their name to Colliers Hill Metropolitan Districts 1, 2, and 3.

The District was organized concurrently with Colliers Hill Metropolitan District No. 2 (District No. 2) and Colliers Hill Metropolitan District No. 3 (District No. 3). The District has the power to provide water, sanitation, streets, traffic and safety controls, park and recreation improvements, mosquito and pest control, transportation and other related improvements for the benefit of taxpayers and service users within the Districts' boundaries. The Service Plan requires the District to convey most of the constructed improvements to the Town of Erie for ownership and maintenance.

The District has no employees and all services are contracted.

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 is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity, including District No. 2, District No. 3 and the Town of Erie.

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. These financial statements include all of the activities of the District. Governmental activities are normally supported by taxes and intergovernmental revenues.

COLLIERS HILL METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

The statement of net position reports all financial and capital resources of the District. The difference between the assets and liabilities and deferred outflows and inflows of resources of the District is reported as net position. The District is responsible for the repayment of bonds issued for the purpose of constructing infrastructure improvements, which will be conveyed to the Town of Erie. Consequently, a deficit balance is reflected on the District's Statement of 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 charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Construction in progress is shown as an increase in assets and increases in long-term obligations are recorded as an increase 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 government 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 and development fees. The District determined that developer advances are not considered as revenue susceptible to accrual. Expenditures generally are recorded when a liability is incurred as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

The District reports the following major governmental fund:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government.

COLLIERS HILL 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.

Investments

Investments are recorded at amortized cost.

Property Taxes

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 or if in equal instalments, 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.

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

In 2013, the District entered into an intergovernmental cooperation agreement with the Town of Erie Urban Renewal Authority (TOEURA) for tax increment financing (TIF). The agreement authorizes the District to be reimbursed for the design, acquisition, construction, installation and financing of Public Improvements in Urban Renewal Area No. 4. Operation, maintenance and administrative costs shall also be reimbursed as applicable. Taxes levied on taxable real property located within the TIF area after September 10, 2013 shall be divided each year for a period not to exceed twenty-five years from the effective date of the Urban Renewal Plan. Taxes will be collected by TOEURA and remitted to the District as set forth in the intergovernmental agreement.

Capital Assets

Capital assets consist entirely of construction projects in process that will be conveyed to the Town of Erie once completed. Therefore, no depreciation is calculated on these assets. Interest incurred during construction is not capitalized.

Fund Balance and Net Position

Net position is reported in the governmental activities and is classified as restricted or unrestricted. Restrictions of net position represent amounts that are not available for appropriation or are legally restricted. As of December 31, 2017, fund balances of governmental funds are classified as follows:

COLLIERS HILL METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance and Net Position (Continued)

Non-spendable – amounts that cannot be spent either because they are not spendable in form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation.

Committed – amounts that are subject to a purpose constraint imposed by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. Commitments may be established, modified or rescinded only through resolutions approved by the Board.

Assigned – amounts that are subject to a purpose constraint that represents an intended use established by the District in its budget process. The purpose of the assignment must be narrower than the purpose of the General Fund.

Unassigned – represents the residual classification for the District's General Fund and could report a surplus or deficit.

Restricted Fund Balance

Emergency Reserves have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado (see note 9). In compliance with this requirement, \$2,347 of the General Fund balance has been restricted.

The District has a balance of \$682,197 in cash held in escrow, which is considered restricted fund balance for capital projects.

The District's order of fund balance spending policy is to apply expenditures against restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance. The District reserves the right to selectively spend unassigned fund balance.

NOTE 3 CASH AND INVESTMENTS

Cash and investments reflected on the statement of net position as of December 31, 2017 consist of the following:

Deposits	\$ 334,565
Restricted Cash Held in Escrow	682,197
Investments	176,935
Total Cash and Investments	<u>\$ 1,193,697</u>

COLLIERS HILL METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Cash Deposits

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 the aggregate uninsured deposits.

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

At December 31, 2017, the District's cash deposits had a carrying balance of \$1,016,762.

Investments

The District has not adopted a formal investment policy; however, it follows state statutes regarding investments. The District also follows investment policies in bond or note agreements when those agreements are more restrictive than state statutes. 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 credit risk for investments that are in the possession of another party.

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 World Bank securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools
- Certain reverse repurchase agreements
- Certain corporate bonds
- Certain securities lending agreements

Colorado revised statutes limit investment maturities to five years or less depending on the specific investment held unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements. Revenue bonds of U.S. local government, corporate and bank securities and guaranteed investment contracts not purchased with bond proceeds are limited to maturities of three years or less.

**COLLIERS HILL METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

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

<u>Investment</u>	<u>Maturity</u>	<u>Amortized Cost</u>
Money Market Fund - Fidelity Treasury	Less than One Year	<u>\$ 176,935</u>

At December 31, 2017, the District had \$176,935 invested in Fidelity Treasury Money Market Funds. The investment is rated AAAM by Standard & Poor's and is valued at amortized cost. Based on the valuation method, additional disclosures are not required under GASB Statement No. 72.

NOTE 4 CONSTRUCTION IN PROCESS

An analysis of the changes in construction in progress for the year ended December 31, 2017 follows:

	<u>Balance at January 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at December 31, 2017</u>
Construction in Progress	<u>\$ 9,421,613</u>	<u>\$ 2,721,524</u>	<u>\$ 10,034,278</u>	<u>\$ 2,108,859</u>

It is the policy of the Town of Erie to accept the maintenance responsibility for water, sanitation, traffic and safety controls, park and recreation improvements, mosquito and pest control, transportation and other related improvements within the District only after a probationary period following completion of construction. When the improvements enter the probationary period, the District removes the cost of construction from its Statement of Net Position.

During 2017, major conveyances to the Town of Erie included Erie Parkway Filing 3 improvements of \$2,623,253; Colliers Parkway Filing 3 of \$3,994,247 Drainage Corridor of \$1,567,308, and other warranty, sewer and road improvements for \$1,849,470.

NOTE 5 RELATED PARTY

All of the members of the Board of Directors are employees or are associated with Bellock Construction Company, construction manager and accountants for the District, Community Development Group of Erie, Inc. (CDG of Erie, Inc.), the developer within the District and Tallgrass Investors, LLC, Landowner within the District.

**COLLIERS HILL METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 5 RELATED PARTY (CONTINUED)

Construction Management Agreement

A construction management agreement was entered into July 24, 2008, between the District and Bellock Construction Company. The agreement calls for Bellock Construction Company to provide management services for all activities related to construction projects to be completed within Colliers Hill Metropolitan Districts No. 1. The agreement expires on December 31 of each year, but is automatically extended for a successive annual period so long as sufficient funds have been appropriated, unless contrary action is taken.

Amount paid to Bellock Construction Company during 2017 for construction and construction management was \$315,392.

Accounting Services Agreement

An accounting services contract was entered into with Bellock Construction Company on July 24, 2008. Under this agreement, accounting services are provided to District No. 1 at the hourly rates of Bellock Construction Company employees. During 2017, the District incurred accounting services fees in the amount of \$51,080.

NOTE 6 LONG-TERM OBLIGATIONS

The District's long-term obligations consist of the following for the year ended December 31, 2017:

	Balance at January 1, 2017	Additions	Reductions	Balance at December 31, 2017	Due Within One Year
Series 2011 Limited Tax Revenue Bonds	\$ 607,642	\$ -	\$ 607,642	\$ -	\$ -
Developer Advances	6,974,064	375,000	4,321,284	3,027,780	-
2013 BAN	16,618,100	-	-	16,618,100	16,618,100
General Obligation Limited Tax Notes					
Series 2016	8,382,731	5,434,376	-	13,817,107	125,741
Total	<u>\$ 32,582,537</u>	<u>\$ 5,809,376</u>	<u>\$ 4,928,926</u>	<u>\$ 33,462,987</u>	<u>\$ 16,743,841</u>

Developer Advances

During 2010, the District agreed to enter into a loan agreement for capital costs with Tallgrass Investors, LLC, the Landowner, a related party (see Note 5). The agreement has a 0% interest rate for the advances received prior to January 1, 2011 in the amount of \$835,000. In 2015, the Developer gave an additional \$9,989,060, which had an interest rate of 8.5%. The Developer agreed to advance the District funds for eligible costs as defined by the Districts, of which a limited portion was for operation/administrative costs and the remaining portion was for capital. In 2017, the District received an additional \$375,000 from the Developer at the same interest rate note above and paid \$4,321,284 in principal with the proceeds from the 2016 Notes. Total interest charged to expense for the Developer advances was \$350,162 for the year ended December 31, 2017.

**COLLIERS HILL METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 6 LONG-TERM OBLIGATIONS (CONTINUED)

2011 Limited Tax Supported Revenue Bonds

The District authorized a bond issue for \$950,000. On October 27, 2011, the District issued \$775,000 of Limited Tax Revenue Bonds. The outstanding principal balance of the bonds was \$607,642 prior to its forgiveness. The bonds bear interest at the rates of 4% per annum and such interest was payable annually on July 1 commencing July 1, 2012. The bonds were forgiven during 2017 as the oil and gas tax revenue that was pledged to repay the debt ceased. The oil operator within the District capped all of the wells and ceased oil and gas production in 2017. The amount of forgiven principal of \$607,242 is reflected as an extraordinary item.

\$16,618,100 Bond Anticipation Notes

In December 2013, the District issued one or more series of subordinate notes, in a total principal amount not to exceed \$16,618,100, to be issued to the Developer, a related party (see Note 5), for outstanding amounts previously advanced to the District by the Developer for capital costs. The bond anticipation note shall incur interest payable on June 1 and December 1, starting on June 1, 2014 at an annual interest rate of 8.5% per annum. The repayment of the 2013 Bond Anticipation Notes will be subordinate to any outstanding senior bonds. The Bond 2013 Anticipation Notes mature on December 11, 2018. Total interest charged to expense for the 2013 Bond Anticipation Notes was \$1,412,539 for the year ended December 31, 2017.

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 16,618,100	\$ 1,412,539	\$ 18,030,639
Total	<u>\$ 16,618,100</u>	<u>\$ 1,412,539</u>	<u>\$ 18,030,639</u>

Series 2016 Note

The District issued the 2016 Limited Tax Obligation Note on March 10, 2016 for an amount not to exceed \$10,000,000 through March 10, 2019. The proceeds of such debt will be used to refund a portion of the amounts due on the District's Developer Advances and pay costs of issuance on the Note. The District does not have optional prepayment of principal through the second anniversary of the date of the Note. A prepayment fee of 1% will be added to the principal balance if prepayment occurs after the second anniversary date but before the third anniversary date. No prepayment fee is incurred if prepayment occurs after the third anniversary date and before the fifth anniversary date of the Note. On May 25, 2021, and each five year anniversary until the maturity date, the interest rate will reset to the Bank Qualified Tax-Exempt Rate on the reset date. Interest payments are due on June 1 and December 1 of each year. The District is subject to non-use fees in the amount of 0.25% of the unfunded portion computed on the basis of a 360-day year and actual days elapsed beginning on the commencement date of the Initial Advance stated above. The District paid \$10,744 in non-use fees on the unfunded balance as of December 31, 2017.

COLLIERS HILL METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 6 LONG-TERM OBLIGATIONS (CONTINUED)

Each advance is subject to the terms as noted above. Below is a summary of each draw made through December 31, 2017:

	Amount	Principal Paid in 2017	Interest Incurred in 2017	Date of Advance	Effective Interest Rate
Initial Advance	\$ 6,753,144	\$ -	\$ 262,409	March 14, 2016	3.833%
Second Advance	1,629,587	-	60,719	September 1, 2016	3.675%
Third Advance	1,617,269	-	64,274	January 25, 2017	4.208%
Fourth Advance	262,669	-	10,163	February 3, 2017	4.208%
Fifth Advance	2,529,277	-	58,812	June 1, 2017	3.930%
Sixth Advance	1,025,161	-	8,450	October 19, 2017	4.065%
Total	<u>\$ 13,817,107</u>	<u>\$ -</u>	<u>\$ 464,827</u>		

The following summarizes the debt service requirements to maturity for the 2016 Note:

Year Ending December 31,	Principal	Interest	Total
2018	\$ 125,741	\$ 546,367	\$ 672,108
2019	241,799	541,520	783,319
2020	248,708	533,416	782,124
2021	48,360	522,124	570,484
2022	69,085	520,213	589,298
2023-2027	641,021	2,537,325	3,178,346
2028-2032	1,271,174	2,382,355	3,653,529
2033-2037	2,590,708	2,027,318	4,618,026
2038-2042	4,076,047	1,400,075	5,476,122
2043-2046	4,504,464	465,546	4,970,010
Total	<u>\$ 13,817,107</u>	<u>\$ 11,476,259</u>	<u>\$ 25,293,366</u>

Debt Authorization

The District voters approved \$330,000,000 of revenue obligation debt in 2008 at an interest rate not to exceed 18% per annum. At December 31, 2017, the District had remaining authorized but unissued indebtedness of \$296,537,014. 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.

COLLIERS HILL METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

**NOTE 7 DISTRICT FACILITIES CONSTRUCTION AND SERVICE AGREEMENT
(SERVICE CONTRACT) AND OTHER AGREEMENTS**

The Districts are to construct the facilities benefiting the Districts and transfer them to the Town of Erie. The Districts will, to the extent that they are to benefit, pay the capital costs and the service costs of operation and maintenance of such facilities.

Each District is required to fund, on an annual basis, the amount of actual service costs that it would be capable of funding through property tax revenue plus other fee revenue as determined in the annual budget.

Maintenance and Warranty of Public Improvements

In 2014, Community Development Group of Erie, Inc. (Owner), on behalf of the District, entered into a Metropolitan District Development Agreement with the Town of Erie. As part of the agreement, the Owner was required to provide an Improvement Guarantee (Guarantee) for a period of time sufficient to cover the completion of the public improvements. If the Owner is unable to complete the improvements, the Town of Erie has the right to call upon the Guarantee. The Guarantee could be in the form of cash, certified check, or a letter of credit. The amount of the Guarantee shall be 115% of the total estimated costs including labor and material of all the public improvements to be constructed per the agreement. As of the date of the agreement, May 3, 2014, the estimate cost of the improvements is \$5,801,611. As of December 31, 2017, the improvements have been completed. The Letter of Credit is made up of warranty costs of \$1,450,402 for Filing 1 and 2 of District improvements and \$638,260 for public improvements. The entire balance of the Letter of Credit \$2,088,662 is still outstanding as of December 31, 2017.

On July 15, 2015, the owner, on behalf of the District, was issued a letter of credit by Vectra Bank in the amount of \$3,346,750 for future Filing 3 infrastructure improvements. The Letter of Credit was reduced to \$885,054 during 2017. As of December 31, 2017, the entire balance is outstanding and the estimated costs to complete are \$13,276.

On March 25, 2016, the owner, on behalf of the District, was issued a letter of credit by California Bank and Trust in the amount of \$1,195,043 for Erie Parkway improvements associated with Filing 3. As of December 31, 2017, the balance has been reduced to \$259,792.

On June 20, 2016, the owner, on behalf of the District, was issued a letter of credit by California Bank and Trust in the amount of \$174,786 for warranty costs on the Raw Water Line installed by the District. As of December 31, 2017, the entire balance is outstanding with zero estimated costs to complete.

COLLIERS HILL METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 8 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 officials liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage during the past three years.

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

NOTE 9 TAX, SPENDING AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, referred to 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 May 6, 2008, a majority of the District's electors authorized the District to collect and spend or retain in a reserve all annual District revenue without regard to any limitations under TABOR.

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 and qualification as an enterprise, will require judicial interpretation.

REQUIRED SUPPLEMENTARY INFORMATION

COLLIERS HILL METROPOLITAN DISTRICT NO. 1
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED DECEMBER 31, 2017

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Property Taxes	\$ 19,245	\$ 22,954	\$ 22,954	\$ -
Specific Ownership Taxes	19,945	31,935	31,935	-
Intergovernmental - Town of Erie	391,987	2,405,556	2,405,556	-
Reimbursement Income	-	25,711	25,711	-
Investment Income	-	2,344	2,344	-
Miscellaneous Income	-	642,548	-	(642,548)
Total Revenues	<u>431,177</u>	<u>3,131,048</u>	<u>2,488,500</u>	<u>(642,548)</u>
EXPENDITURES				
Current:				
Treasurer Fees	6,168	6,173	6,173	-
Audit	10,750	10,925	10,925	-
Accounting	65,000	51,080	51,080	-
Insurance	6,000	4,121	3,599	522
Legal	25,000	18,577	18,577	-
Letter of Credit	103,278	64,048	64,048	-
Miscellaneous	10,000	5,000	1,914	3,086
Capital Expenditures	3,256,832	2,720,922	2,721,525	(603)
Director Fees	200	30	30	-
Debt Service:				
Principal Payments	1,291,894	4,321,284	4,321,284	-
Interest and Fiscal Charges	3,036,715	2,570,310	2,570,310	-
Loan Origination Fees	40,000	64,595	64,595	-
Total Expenditures	<u>7,851,837</u>	<u>9,837,065</u>	<u>9,834,060</u>	<u>3,005</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	(7,420,660)	(6,706,017)	(7,345,560)	(639,543)
OTHER FINANCING SOURCES				
Proceeds from Developer Advances	742,000	375,000	375,000	-
Proceeds from 2016 Debt Instruments	4,742,000	5,434,376	5,434,376	-
Total Other Financing Sources	<u>4,742,000</u>	<u>5,809,376</u>	<u>5,809,376</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(2,678,660)	(896,641)	(1,536,184)	(639,543)
FUND BALANCES - BEGINNING OF YEAR	<u>2,708,193</u>	<u>2,708,193</u>	<u>2,572,083</u>	<u>(136,110)</u>
FUND BALANCES - END OF YEAR	<u>\$ 29,533</u>	<u>\$ 1,811,552</u>	<u>\$ 1,035,899</u>	<u>\$ (775,653)</u>