

**BIG SKY METROPOLITAN DISTRICT NO. 1**  
**Jefferson County, Colorado**

**FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**

**YEAR ENDED DECEMBER 31, 2018**

**BIG SKY METROPOLITAN DISTRICT NO. 1  
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Dazzio & Associates, PC

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Certified Public Accountants

## **INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Big Sky Metropolitan District No. 1  
Jefferson County, Colorado

We have audited the accompanying financial statements of the governmental activities and the major fund of the Big Sky Metropolitan District No. 1 as of and for the year December 31, 2018, 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.

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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 the Big Sky Metropolitan District No. 1, as of December 31, 2018, 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.

## **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.

*Duggio & Associates, P.C.*

June 24, 2019

## **BASIC FINANCIAL STATEMENTS**

**BIG SKY METROPOLITAN DISTRICT NO. 1  
STATEMENT OF NET POSITION  
DECEMBER 31, 2018**

	Governmental Activities
<b>ASSETS</b>	
Cash and Investments	\$ 10,719
Capital Assets, Not Being Depreciated	1,048,627
Total Assets	1,059,346
<b>LIABILITIES</b>	
Accounts Payable	38,934
Developer Advance Payable	1,102,603
Developer Advance Interest Payable	12,332
Total Liabilities	1,153,869
<b>NET POSITION</b>	
Unrestricted	(94,523)
Total Net Position	\$ (94,523)

See accompanying Notes to Basic Financial Statements.

**BIG SKY METROPOLITAN DISTRICT NO. 1  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2018**

<b>FUNCTIONS/PROGRAMS</b>	Program Revenues			Net Revenues (Expenses) and Change in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary Government:					
Governmental Activities:					
General Government	\$ 132,191	\$ -	\$ -	\$ 50,000	\$ (82,191)
Interest and Related Costs on Long-Term Debt	12,332	-	-	-	(12,332)
Total Governmental Activities	\$ 144,523	\$ -	\$ -	\$ 50,000	(94,523)
					<b>CHANGE IN NET POSITION</b>
					(94,523)
					Net Position - Beginning of Year
					-
					<b>NET POSITION - END OF YEAR</b>
					\$ (94,523)

See accompanying Notes to Basic Financial Statements.

**BIG SKY METROPOLITAN DISTRICT NO. 1  
BALANCE SHEET  
GOVERNMENTAL FUND  
DECEMBER 31, 2018**

	Governmental Fund
<b>ASSETS</b>	
Cash and Investments	\$ 10,719
Total Assets	\$ 10,719
<b>LIABILITIES AND FUND BALANCES</b>	
<b>LIABILITIES</b>	
Accounts Payable	\$ 38,934
Total Liabilities	38,934
<b>FUND BALANCES</b>	
Unassigned:	
General Government	(28,215)
Total Fund Balances	(28,215)
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Capital Assets, Not Being Depreciated	1,048,627
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not recorded as liabilities in the funds.	
Accrued Developer Advance Interest Payable	(12,332)
Developer Advance Payable	(1,102,603)
Subtotal	(1,114,935)
Net Position of Governmental Activities	\$ (94,523)

See accompanying Notes to Basic Financial Statements.

**BIG SKY METROPOLITAN DISTRICT NO. 1  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUND  
YEAR ENDED DECEMBER 31, 2018**

	Governmental Fund
<b>EXPENDITURES</b>	
General Administrative	\$ 81,889
Capital Outlay:	
Sewer	649,985
Streets	205,599
Storm Drainage	182,782
Water	10,261
Organizational Costs	50,302
Total Expenditures	1,180,818
 <b>OTHER FINANCING SOURCES</b>	
Developer Advance	1,102,603
Cost Sharing Reimbursements	50,000
Total Other Financing Sources	1,152,603
 <b>NET CHANGE IN FUND BALANCE</b>	(28,215)
 Fund Balance - Beginning of Year	-
 <b>FUND BALANCE - END OF YEAR</b>	\$ (28,215)

See accompanying Notes to Basic Financial Statements.

**BIG SKY METROPOLITAN DISTRICT NO. 1  
RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2018**

Net Change in Fund Balances - Governmental Fund \$ (28,215)

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

Governmental funds report capital outlays as expenditures. In the statement of activities, capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense, the allocation of the cost of any depreciable asset over the estimated useful life of the asset.

Capital Outlay 1,048,627

The issuance of long-term debt (e.g., bonds, Developer advances) 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. Also, governmental funds record the effect of premiums, discounts, and similar items when debt is first issued as expenditures, whereas these amounts are deferred and amortized in the statement of activities.

Developer Advance (1,102,603)  
Developer Advance Interest Payable (12,332)

Change in Net Position of Governmental Activities \$ (94,523)

**BIG SKY METROPOLITAN DISTRICT NO. 1  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2018**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>EXPENDITURES</b>				
General Administrative:				
Accounting	\$ 5,000	\$ 10,000	\$ 9,543	\$ 457
County Treasurer Fees	825	-	-	-
District Management	-	5,000	3,520	1,480
Legal	15,000	60,000	59,286	714
Dues and Memberships	-	1,500	1,445	55
Insurance and Bonds	2,500	7,500	6,040	1,460
Contingency	5,000	3,000	2,055	945
Capital Outlay:				
Sewer	-	650,000	649,985	15
Streets	-	210,000	205,599	4,401
Storm Drainage	-	185,000	182,782	2,218
Water	-	15,000	10,261	4,739
Organizational Costs	-	55,000	50,302	4,698
Total Expenditures	<u>28,325</u>	<u>1,202,000</u>	<u>1,180,818</u>	<u>21,182</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Developer Advance	55,000	1,150,000	1,102,603	(47,397)
Cost Sharing Reimbursements	-	52,000	50,000	(2,000)
Total Other Financing Sources (Uses)	<u>55,000</u>	<u>1,202,000</u>	<u>1,152,603</u>	<u>(49,397)</u>
<b>NET CHANGE IN FUND BALANCE</b>	26,675	-	(28,215)	(28,215)
Fund Balance - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 26,675</u>	<u>\$ -</u>	<u>\$ (28,215)</u>	<u>\$ (28,215)</u>

See accompanying Notes to Basic Financial Statements.

**BIG SKY METROPOLITAN DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 1 DEFINITION OF REPORTING ENTITY**

Big Sky Metropolitan District No. 1 (the District), a quasi-municipal corporation, was organized on January 13, 2015, and is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in Jefferson County, Colorado. The District was established to plan for, design, acquire, construct, install, relocate, redevelop and finance public improvements. The District shall not be authorized to operate and maintain any part or all of the Public Improvements, other than park and recreation, sewer and landscape improvements and other improvements owned by the District, unless an intergovernmental agreement with the City provides authorization.

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.

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

**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.

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

**BIG SKY METROPOLITAN DISTRICT NO. 1  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

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

**Government-Wide and Fund Financial Statements (Continued)**

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

Separate financial statements are provided for the 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. Depreciation is computed and recorded as an operating expense. Expenditures for property and equipment are shown as increases in assets.

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. All other revenue items are considered to be measurable and available only when cash is received by the District. The District has determined that Developer advances are not considered as revenue susceptible to accrual. Expenditures are recorded when the liability is incurred. As of December 31, 2018 the District has no items that are susceptible to accrual.

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.

**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.

**BIG SKY METROPOLITAN DISTRICT NO. 1  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

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

**Budgets (Continued)**

The District has amended its annual budget for the year ended December 31, 2018.

**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 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, net of estimated uncollectible taxes, are recorded initially as deferred inflow 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.

The District did not certify a mill levy for collection in either 2018 or 2019.

**Capital Assets**

Capital assets, which include infrastructure (e.g., storm drainage, streets, and similar items), are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are generally defined by the District as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at 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 the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

**Fund Equity**

**Net Position**

For government-wide presentation purposes 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.

**BIG SKY METROPOLITAN DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

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

**Fund Equity (Continued)**

**Fund Balance**

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned, and unassigned. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

*Nonspendable Fund Balance* – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.

*Restricted Fund Balance* – The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.

*Committed Fund Balance* – The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the board of directors. The constraint may be removed or changed only through formal action of the board of directors.

*Assigned Fund Balance* – The portion of fund balance that is constrained by the government's intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the board of directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.

*Unassigned Fund Balance* – The residual portion of fund balance that does not meet any of the criteria described above.

If more than one classification of fund balance is available for use when an expenditure is incurred, it is the District's practice to use the most restrictive classification first.

**NOTE 3 CASH AND INVESTMENTS**

Cash and investments as of December 31, 2018, are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and Investments	\$ 10,719
Total Cash and Investments	<u>\$ 10,719</u>

**BIG SKY METROPOLITAN DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

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

**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 102% of the aggregate uninsured deposits.

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

At December 31, 2018, the District's cash deposits had a bank balance of \$78,229 and a carrying balance of \$10,719.

**Investments**

The District has not adopted a formal investment policy; however, 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 or investment custodial risk disclosure requirements for investments that are in the possession of another party.

Colorado revised statutes limit investment maturities to five years or less 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
- . Certain certificates of participation
- . Certain securities lending agreements
- . Bankers' acceptances of certain banks
- . Commercial paper
- . Written repurchase agreements and certain reverse repurchase agreements collateralized by certain authorized securities
- . Certain money market funds
- . Guaranteed investment contracts
- . Local government investment pools

At December 31, 2018, the District does not have any investments.

**BIG SKY METROPOLITAN DISTRICT NO. 1  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**NOTE 4 CAPITAL ASSETS**

An analysis of the changes in capital assets for the year ended December 31, 2018 follows:

	Balance at December 31, 2017	Increases	Decreases	Balance at December 31, 2018
Capital Assets, Not Being Depreciated:				
Construction in Process	\$ -	\$ 1,048,627	\$ -	\$ 1,048,627
Total Capital Assets, Not Being Depreciated	-	1,048,627	-	1,048,627
Capital Assets	<u>\$ -</u>	<u>\$ 1,048,627</u>	<u>\$ -</u>	<u>\$ 1,048,627</u>

**NOTE 5 LONG-TERM OBLIGATIONS**

The following is an analysis of changes in the District's long-term obligations for the year ended December 31, 2018:

	Balance at December 31, 2017	Increases	Decreases	Balance at December 31, 2018
Developer Advance	\$ -	\$ 1,102,603	\$ -	\$ 1,102,603
Accrued Interest on Developer Advances	-	12,332	-	12,332
Total Developer Advance	-	1,114,935	-	1,114,935
Developer Advance	<u>\$ -</u>	<u>\$ 1,114,935</u>	<u>\$ -</u>	<u>\$ 1,114,935</u>

**BIG SKY METROPOLITAN DISTRICT NO. 1  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)**

**Authorized Debt**

At December 31, 2018, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

	Debt Authorized 11/4/2014 Election	Remaining Authorization
In-District Special Assesement Debt	\$ 40,000,000	\$ 40,000,000
Streets	40,000,000	40,000,000
Parks and Recreation	40,000,000	40,000,000
Water	40,000,000	40,000,000
Sanitary and Storm Sewer	40,000,000	40,000,000
Public Transportation	40,000,000	40,000,000
Mosquito Control	40,000,000	40,000,000
Traffic and Safety	40,000,000	40,000,000
Fire Protection	40,000,000	40,000,000
Television Relay and Translation	40,000,000	40,000,000
Security	40,000,000	40,000,000
Operations and Maintenance	40,000,000	40,000,000
Debt Refunding	40,000,000	40,000,000
IGA for Debt	40,000,000	40,000,000
Private Agreement for Debt	40,000,000	40,000,000
Mortgage	40,000,000	40,000,000
Total Debt Authorization	<u>\$ 640,000,000</u>	<u>\$ 640,000,000</u>

Pursuant to the Service Plan, the maximum general obligation indebtedness for the District is not to exceed \$30,000,000.

**NOTE 6 AGREEMENTS**

**Funding and Reimbursement Agreement (Capital)**

On April 1, 2017 the District entered into a Funding and Reimbursement Agreement with CDN Red Rocks, LP. The purpose of the Funding and Reimbursement Agreement (Capital) is to establish the District's responsibility to provide certain public infrastructure, improvements and services within and without its boundaries of which the District has incurred and will incur costs. These costs include but are not limited to costs related to the operation, maintenance, repair, and replacement of District Infrastructure. The District does not presently have financial resources to provide funding for payment of incurred costs of which CDN Red Rocks, LP is willing to loan funds to the District based upon the agreement that the District will repay such loans. The District anticipates repaying loaned funds by executing one or more reimbursement notes, bonds, or other instruments, not to exceed the maximum loan amount. CDN Red Rocks, LP agrees to loan the district an aggregate amount not to exceed \$2,500,000.

**BIG SKY METROPOLITAN DISTRICT NO. 1  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**NOTE 6 AGREEMENTS (CONTINUED)**

**Funding and Reimbursement Agreement (Operations and Maintenance)**

On April 1, 2017 the District entered into a Funding and Reimbursement Agreement with CDN Red Rocks, LP. The purpose of the Funding and Reimbursement Agreement (Operations and Maintenance) is to establish the District's responsibility to provide certain public infrastructure, improvements and services within and without its boundaries of which the District has incurred and will incur costs. These costs include but are not limited to costs related to the operation, maintenance, repair, and replacement of District Infrastructure. The District does not presently have financial resources to provide funding for payment of incurred costs of which CDN Red Rocks, LP is willing to loan funds to the District based upon the agreement that the District will repay such loans. The District anticipates repaying loaned funds by executing one or more reimbursement notes, bonds, or other instruments, not to exceed the maximum loan amount. CDN Red Rocks, LP agrees to loan the district an aggregate amount not to exceed \$2,500,000.

**Infrastructure Acquisition and Reimbursement Agreement**

On March 15, 2017 the District entered into an Infrastructure Acquisition and Reimbursement Agreement with CDN Red Rocks, LP. The purpose of the Infrastructure Acquisition and Reimbursement Agreement is to establish CDN Red Rocks, LP's right to reimbursement for all paid advances and remaining unpaid advances for capital costs plus accrued interest and to acknowledge payment in full of amounts owed by the District. Costs incurred by the District are subject to certification.

As of December 31, 2018, CDN Red Rocks, LP is entitled to reimbursement of capital advances of \$1,022,395 and operating advances of \$80,208. Interest on all advances accrues at 8% per annum. As of December 31, 2018, accrued interest on the capital and operating advances was \$11,550 and \$782, respectively.

The District's obligation to reimburse the advances shall be satisfied from the proceeds of loans or bonds issued by the District, and/or other legally available funds of the District not otherwise required for reasonable operating costs of the District. Any mill levy certified by the District for the purposes of repaying costs shall not exceed the mill levy limitations contained in the service plan, less amounts needed to service existing debt.

**Intergovernmental Agreement for Extra-Territorial Sewer Service**

On May 8th, 2018 the District entered into an agreement with Green Mountain Water and Sanitation District (Green Mountain) to help provide sewer services to the District by accepting wastewater produced within the Big Sky Service Area or Big Sky Potential Expanded Service Area and delivering the wastewater to be disposed of by Metropolitan Denver Wastewater Reclamation District (Denver Wastewater). The District would be responsible for the design and construction of the sewer system within the boundaries of both the Service Area and Potential Expanded Service Area. Green Mountain is authorized to impose fees, rates, tolls, and charges for the sewer services provided to the District payable on a quarterly basis.

**BIG SKY METROPOLITAN DISTRICT NO. 1  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**NOTE 6 AGREEMENTS (CONTINUED)**

**Intergovernmental Agreement for Extra-Territorial Sewer Service (Continued)**

The District is subject to system development fees payable to Green Mountain for each new user connected to the sewer system within the Service Area and Potential Expanded Service Area for the sewer delivery services provided by Green Mountain. Additionally, the District shall pay a system development fee imposed by Denver Wastewater to the City of Lakewood until the district is included into Denver Wastewater's Green Mountain Service Area. Following inclusion, the system development fee will be paid to Green Mountain. Green Mountain will be responsible for repaying 50% of the system development fees paid by the District on a monthly basis.

Subsequent to year end, Green Mountain has voted to terminate the agreement. The ultimate impact of such action is not currently determinable.

**NOTE 7 RELATED PARTIES**

The Developer of the property which constitutes the District is CDN Red Rocks, LP, a Colorado limited partnership (Developer). Certain members of the Board of Directors of the District are officers or employees of or related to the Developer or an entity affiliated with the Developer or the majority owner of the Developer, and may have conflicts of interest in dealing with the District.

**NOTE 8 ECONOMIC DEPENDENCY**

The District has not yet established a revenue base sufficient to pay operational expenditures. Until an independent revenue base is established, continuation of operations in the District will be dependent upon funding by the Developer.

**NOTE 9 NET POSITION**

The District's unrestricted net position as of December 31, 2018, totaled \$(94,523).

**NOTE 10 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 (the Pool). 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 in any of the past three fiscal years.

**BIG SKY METROPOLITAN DISTRICT NO. 1  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**NOTE 10 RISK MANAGEMENT (CONTINUED)**

The District pays annual premiums to the Pool for liability, property 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 11 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.

On November 4, 2014, the District elected to increase taxes \$10,000,000 annually (such tax increase to be authorized notwithstanding any provision of Article X, Section 20 of the Colorado Constitution, including any future amendments to Article X, Section 20 of the Colorado Constitution imposing property tax cuts) or such lesser amount as necessary to pay the District's administration, covenant enforcement, design review, operations, maintenance, and other similar expenses by the imposition of ad valorem property taxes levied in any year, without limitation as to rate or amount or any other condition, to pay such expenses and shall the revenue from such taxes and any investment income thereon be collected, retained and spent by the district in fiscal year 2014 and in each fiscal year thereafter as a voter-approved revenue change without regard to any spending, revenue-raising, or other limitation contained within Article X, Section 20 of the Colorado Constitution, the limits imposed on increases in taxation by Section 29-1-301, C.R.S., in any year, or any other law which purports to limit the District's revenues or expenditures as it currently exists or as it may be amended in the future, all without limiting in any year the amount of other revenues that may be collected retained and spent by the district.

**BIG SKY METROPOLITAN DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 11 TAX, SPENDING, AND DEBT LIMITATIONS (CONTINUED)**

On November 4, 2014, the District elected to increase taxes \$10,000,000 annually (such tax increase to be authorized notwithstanding any provision of Article X, Section 20 of the Colorado Constitution, including any future amendments to Article X, Section 20 of the Colorado Constitution imposing property tax cuts) or such lesser amount as necessary to pay for capital costs of public improvements, through property taxes levied in any year, without limitation as to rate or amount or any other condition, to pay such expenses and shall the revenue from such taxes and any investment income thereon be collected, retained and spent by the district in fiscal year 2014 and in each fiscal year thereafter as a voter-approved revenue change without regard to any spending, revenue-raising, or other limitation contained within Article X, Section 20 of the Colorado Constitution, and pursuant to Section 29-1-302(2)(B), C.R.S., without regard to the limits imposed on increases in taxation by Section 29-1-301, C.R.S., in any year, or any other law which purports to limit the District's revenues or expenditures as it currently exists or as it may be amended in the future, all without limiting in any year the amount of other revenues that may be collected retained and spent by the district.

On November 4, 2014, the District elected to collect, retain, and spend any and all amounts annually from any revenue sources whatsoever, including but not limited to taxes, tax increment revenues, tap fees, park fees, facility fees, service charges, inspection charges, administrative charges, gifts, grants or any other fee, rate, toll, penalty, income or charge authorized by law or contract to be imposed, collected, or received by the district in fiscal year 2014 and in each fiscal year thereafter, such amounts to constitute a voter-approved revenue change and be collected, retained and spent by the district without regard to any spending, revenue-raising, or other limitation contained within Article X, Section 20 of the Colorado Constitution, including any future amendments to Article X, Section 20 of the Colorado Constitution imposing tax cuts, the limits imposed on increases in property taxation by Section 29-1-301, C.R.S. in any subsequent year, or any other law which purports to limit the District's revenues or expenditures as it currently exists or as it may be amended in the future, and without limiting in any year the amount of other revenues that may be collected, retained and spent by the district.

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. For the year ended December 31, 2018 the District did not maintain an emergency reserve as the districts operations were primarily funded by developer advances.

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