

Carriage Hills Metropolitan District

FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT CERTIFIED
PUBLIC ACCOUNTANTS

December 31, 2018

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REPORT OF INDEPENDENT CERTIFIED
PUBLIC ACCOUNTANTS

Board of Directors
Carriage Hills Metropolitan District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the governmental funds of the Carriage Hills Metropolitan District (the "District"), as of and for the year ended December 31, 2018, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting our audit in accordance with auditing standards generally accepted in the United States of America as established by the *American Institute of Certified Public Accountants* ("US GAAS").

We conducted our audit in accordance with US GAAS. Those standards require that we plan and perform our audit to obtain reasonable assurance about whether these financial statements are free of material misstatement.

An audit includes 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 District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles 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 on the Financial Statements

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 governmental funds of the Carriage Hills Metropolitan District, as of December 31, 2018, and the respective changes in financial position thereof, and the budgetary comparison for the general fund and special revenue fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted with the purpose of forming an opinion on the basic financial statements of the Carriage Hills Metropolitan District taken as a whole. The supplementary information on pages 23 and 24 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to our auditing procedures applied in the audit of the financial statements, and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Board of Directors has elected to omit the Management's Discussion and Analysis information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of the 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 omitted information.

Marc James & Associates PC

Highlands Ranch, CO
August 29, 2019

BASIC FINANCIAL STATEMENTS

Carriage Hills Metropolitan District

GOVERNMENTAL FUNDS BALANCE SHEET/STATEMENT OF NET POSITION

December 31, 2018

	Governmental Funds				Total
	General	Special Revenue	Capital Projects	Debt Service	
ASSETS					
Cash and cash equivalents	\$ 75,702	\$ 162,464	\$ 71,214	\$ -	\$ 309,380
Property taxes receivable	50,000	-	-	277,614	327,614
Other receivables	143,862	3,421	14,273	-	161,556
Due from County Treasurer	682	-	-	957	1,639
Prepaid expenses	4,613	-	-	-	4,613
Restricted cash	2,500	-	-	655,441	657,941
Capital assets, net	-	-	-	-	-
Total assets	\$ 277,359	\$ 165,885	\$ 85,487	\$ 934,012	\$ 1,462,743
LIABILITIES					
Accounts payable	\$ 18,454	\$ 426	\$ 400,000	\$ -	\$ 418,880
Accrued interest payable	-	-	-	-	-
Other accrued liabilities	-	10,004	-	-	10,004
Long-term liabilities					
Due within one year	-	-	-	-	-
Due after one year	-	-	-	-	-
Total liabilities	18,454	10,430	400,000	-	428,884
DEFERRED INFLOWS OF RESOURCES					
Property taxes	50,000	-	-	277,614	327,614
FUND BALANCE/NET POSITION					
FUND BALANCE					
Non-spendable	4,613	-	-	-	4,613
Restricted	2,500	-	-	656,398	658,898
Committed	-	155,455	-	-	155,455
Unassigned	201,792	-	(314,513)	-	(112,721)
Total fund balance	208,905	155,455	(314,513)	656,398	706,245
Total liabilities, deferred inflows of resources and fund balance	\$ 277,359	\$ 165,885	\$ 85,487	\$ 934,012	\$ 1,462,743
NET POSITION (DEFICIT)					
Unrestricted					
Total net deficit					

Adjustments	Statement of Net Position
\$ -	\$ 309,380
-	327,614
-	161,556
-	1,639
-	4,613
-	657,941
<u>377,778</u>	<u>377,778</u>
377,778	1,840,521
-	418,880
146,504	146,504
-	10,004
-	-
<u>7,392,487</u>	<u>7,392,487</u>
7,538,991	7,967,875
-	327,614
(4,613)	-
(658,898)	-
(155,455)	-
112,721	-
<u>(701,632)</u>	<u>4,613</u>
<u>(6,454,968)</u>	<u>(6,454,968)</u>
<u>\$ (6,454,968)</u>	<u>\$ (6,454,968)</u>

Carriage Hills Metropolitan District

STATEMENT OF GOVERNMENTAL FUNDS REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES

For the Year ended December 31, 2018

	Governmental Funds				Total
	General	Special Revenue	Capital Projects	Debt Service	
Expenditures/Expenses					
Operating					
Administration	\$ 83,098	\$ 13,899	\$ -	\$ 2,482	\$ 99,479
Landscaping and maintenance	-	45,344	-	-	45,344
Utilities	48	7,978	-	-	8,026
Depreciation	-	-	-	-	-
Capital projects					
Engineering	-	-	25,256	-	25,256
Capital outlay	-	-	6,832,488	-	6,832,488
Debt service					
Cost of issuance	-	-	341,400	-	341,400
Principal	-	-	-	157,000	157,000
Interest	-	-	-	158,914	158,914
Total expenditures/expenses	83,146	67,221	7,199,144	318,396	7,667,907
Charges for services					
Operational and capital faculties	-	96,651	-	-	96,651
Other	-	7,572	-	-	7,572
Total charges for services	-	104,223	-	-	104,223
Net expenditures/expenses	83,146	(37,002)	7,199,144	318,396	7,563,684
General revenue					
Property taxes	116,133	-	-	162,950	279,083
Specific ownership taxes	8,937	-	-	12,594	21,531
Other	140	-	14,273	7,511	21,924
Total general revenues	125,210	-	14,273	183,055	322,538
Excess of revenues over (under) expenditures/expenses	42,064	37,002	(7,184,871)	(135,341)	(7,241,146)
Other sources and uses					
Transfers in (out)	-	-	(157,000)	157,000	-
Proceeds from issuance of debt	-	-	6,773,888	618,600	7,392,488
Total other sources and uses	-	-	6,616,888	775,600	7,392,488
CHANGE IN FUND BALANCE	42,064	37,002	(567,983)	640,259	151,342
Fund balance/net position (deficit)					
Beginning of the year	166,841	118,453	253,470	16,139	554,903
End of the year	<u>\$ 208,905</u>	<u>\$ 155,455</u>	<u>\$ (314,513)</u>	<u>\$ 656,398</u>	<u>\$ 706,245</u>

<u>Adjustments</u>	<u>Statement of Activities</u>
\$ -	\$ 99,479
-	45,344
-	8,026
22,222	22,222
-	25,256
(400,000)	6,432,488
-	341,400
(157,000)	-
146,504	305,418
(388,274)	7,279,633
-	96,651
-	7,572
-	104,223
(388,274)	7,175,410
-	279,083
-	21,531
-	21,924
-	322,538
388,274	(6,852,872)
-	-
(7,392,488)	-
(7,392,488)	-
(7,004,214)	(6,852,872)
(156,999)	397,904
<u>\$ (7,161,213)</u>	<u>\$ (6,454,968)</u>

Carriage Hills Metropolitan District

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

For the Year ended December 31, 2018

	Original and Final Budget	Actual	Variance
Revenues			
Property taxes	\$ 116,122	\$ 116,133	\$ 11
Specific ownership taxes	8,129	8,937	808
Other	17,700	140	(17,560)
	<u>141,951</u>	<u>125,210</u>	<u>(16,741)</u>
Total revenues			
Expenditures			
Operating			
Accounting and audit	7,500	1,385	6,115
District management	18,000	18,500	(500)
Dues and fees	600	505	95
Elections	25,000	11,570	13,430
Insurance	3,000	3,972	(972)
Legal	25,000	29,679	(4,679)
Office expense	2,500	1,096	1,404
Town of Frederick	15,146	15,146	-
Treasurer's fees	2,322	1,745	577
Utilities	2,500	48	2,452
Contingency	45,382	-	45,382
	<u>146,950</u>	<u>83,646</u>	<u>63,304</u>
Total expenditures			
Excess of revenues over (under) expenditures	<u>\$ (4,999)</u>	41,564	<u>\$ 46,563</u>
Fund Balance			
Beginning of the year		<u>166,841</u>	
End of the year		<u>\$ 208,405</u>	

Carriage Hills Metropolitan District

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

For the Year ended December 31, 2018

	Original and Final Budget	Actual	Variance
Revenues			
Operational and facilities fees	\$ 120,000	\$ 96,651	\$ (23,349)
Other	2,500	7,572	5,072
Total revenues	122,500	104,223	(18,277)
Expenditures			
Operating			
Bad debts	-	2,251	(2,251)
Billing service fee	6,000	6,340	(340)
Landscaping	48,000	31,074	16,926
Legal	1,000	4,632	(3,632)
Office expense	-	175	(175)
Repairs and maintenance	3,000	9,415	(6,415)
Snow removal	3,000	4,856	(1,856)
Trash	-	4,630	(4,630)
Utilities	-	3,348	(3,348)
Contingency	61,500	-	61,500
Total expenditures	122,500	66,721	55,779
Excess of revenues over expenditures	\$ -	37,502	\$ 37,502
Fund Balance			
Beginning of the year		118,453	
End of the year		\$ 155,955	

Carriage Hills Metropolitan District

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Carriage Hills Metropolitan District (the "District") conform to the accounting principles generally accepted in the United States of America ("US GAAP") as applicable to governmental entities. The following is a summary of the more significant policies consistently applied in the preparation of the basic financial statements of the District.

1. Reporting Entity

The District was organized in April 2006, under State of Colorado statutory authority, as a quasi-municipal corporation and is governed by a five-member Board of Directors pursuant to the provisions of the Colorado Special District Act (Title 32, Article I, Colorado Revised Statutes) for the overall purpose of the development of the Carriage Hills planned unit development.

The District's service area, which consists of approximately 100 acres of land, is located in the Town of Frederick, Colorado. Under the Service Plan, the District was formed to provide for the planning, design, financing, acquisition, construction and installation of public improvements as defined in the Service Plan.

As required by US GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local government entities. The District has no component units as defined by Governmental Accounting Standards Board ("GASB"), Statement No. 14, *The Reporting Entity* and GASB No. 39, *Determining Whether Certain Organizations are Component Units*.

All operations and administrative functions are contracted.

2. Measurement Focus and Financial Accounting Framework

The accompanying financial statements are presented in accordance with GASB Statement No. 34, *Special Purpose Governments*.

Government-Wide Financial Statements

The government-wide financial statements, the Statement of Net Position and the Statement of Activities, report information on all of the governmental activities of the District.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program or general revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

Revenues and expenditures are recorded on the accrual basis of accounting.

Governmental Fund Financial Statements

The governmental fund financial statements are prepared 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 if the revenues are collectible within the current period, or soon thereafter, to pay liabilities of the current period. For that purpose, the District considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period.

Carriage Hills Metropolitan District
NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

2. *Measurement Focus and Financial Accounting Framework - continued*

Governmental Funds

For 2018, the District has four Governmental Funds:

- *General Fund* – The General Fund is the general operating fund of the District. It is used to account for all of the financial resources not accounted for and reported in another fund,
- *Special Revenue Fund* - The District's Special Revenue Fund is used to account for assessment and collection of a \$105 per quarter operational and facility fee and subsequent payment of expenditures pertaining to the operation and maintenance of the District's common areas.
- *Debt Service Fund* – The Debt Service Fund is used to account for all financial resources that are restricted, committed, or assigned to expenditures for principal, interest, and other debt-related costs,
- *Capital Projects Fund* - The Capital Project Fund is used to account for all financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition of capital facilities and other assets.

3. *Deposits*

District management considers cash and cash equivalents to include cash on hand, demand deposits, and money market accounts. Investments, as applicable, of the District are reported at fair value.

District management may at times follow the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by regulations or other agreements, all cash is deposited to and disbursed from a minimum number of bank accounts. Cash in excess of immediate operating requirements may be pooled for deposit and investment flexibility. As applicable, investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash.

4. *Capital Assets*

The District's capital assets, as applicable, are recorded at cost, if purchased or constructed. Donated capital assets are valued at the estimated fair value at the time of donation. The District has a capitalization policy of \$5,000. The District's Board of Directors has the option to capitalize certain items costing less than \$5,000 in certain circumstances.

The cost of normal maintenance and repairs, as incurred, that do not add value to, or materially extend the life of, the related capital asset, are charged to expense as incurred.

Carriage Hills Metropolitan District

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

5. *Fair Value of Financial Instruments*

The District's financial instruments include, as applicable, cash and cash equivalents, various receivables, and accounts payable. The District estimates that the fair value of these financial instruments, as of December 31, 2018, does not differ materially from the aggregate carrying values used in the accompanying financial statements. The carrying amount of these financial instruments approximates the fair value due to the short maturity of these financial instruments.

6. *Use of Estimates*

The preparation of financial statements in conformity with US GAAP involves the use of management's estimates which affect the reported amounts of assets and liabilities as of the date of the financial statements, and the reported amounts of revenue and expenditures during the reporting period. These estimates are based upon management's best judgment, after considering past events and assumptions about future events. Actual results could differ from those estimates.

7. *Property Taxes*

Property taxes are levied by the District's Board of Directors. When applicable, the levy is based upon 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 taxpayers' election, in February and June. Delinquent taxpayers are notified in July or August and the sales of the resultant tax liens on delinquent properties are generally held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows of resources in the year they are levied and measurable, since they normally are not available nor are they budgeted as a resource until the subsequent year. Property taxes are recorded as revenue in the subsequent year when they are available or collected.

Under the Service Plan, the maximum Mill Levy for the District shall be 50 mills, subject to statutory adjustment.

NOTE B – BUDGET INFORMATION

Budgets are adopted on a non-GAAP basis for the governmental funds. In accordance with State Budget Law, the District's Board of Directors holds a public hearing in the fall of each year to approve the budget and appropriate funds for the ensuing year. The appropriation is at the total fund expenditure 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 total appropriation can only be modified upon completion of a budget amendment approved following a public hearing on the same. The budget includes each fund on its basis of accounting unless otherwise indicated. The appropriation is at the total fund expenditures level and lapses at year-end.

The State of Colorado requires a balanced budget.

For 2018, the District's General Fund budgeted expenditures exceeded budgeted revenues by \$4,999.

Carriage Hills Metropolitan District

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE B – BUDGET INFORMATION - *continued*

For 2018, the District's Capital Projects Fund budgeted revenues exceeded budgeted expenditures by \$229,018. In addition, for 2018, the Capital Projects Fund actual expenditures exceeded budget by \$7,186,864, primarily due to the acquisition of Public Improvements.

NOTE C – CASH

Deposits and Custodial Credit Risk

The Colorado Public Deposit Protection Act ("PDPA") requires that all units of local government deposit cash in eligible public depositories. State regulators determine the eligibility. Amounts on deposit in excess of the Federal Deposit Insurance Corporation ("FDIC") insurance levels must be collateralized. The eligible collateral is determined by the PDPA. The PDPA allows institutions to create a single collateral pool for all public funds. The pool is to be maintained by another institution, or held in trust for all uninsured public deposits. The market value of the collateral must be equal to 102% of the aggregate uninsured public deposits.

The Colorado Division of Banking for banks and savings associations is required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

As of December 31, 2018, none of the District's deposits were exposed to custodial credit risk.

Restricted Cash and Cash Equivalents

The District's restricted cash and cash equivalents pertain to the amount of cash and cash equivalents equal to the General Fund restricted fund balance and the cash held within the Debt Service Fund.

NOTE D - LONG-TERM DEBT

Limited Tax General Obligation Bonds, Series 2018A

On May 3, 2018, the District issued the Limited Tax General Obligation Bonds, Series 2018A ("2018 Series A Bonds") in the amount \$4,690,000 for purpose of (a) to pay the costs to acquire the Public Improvements and other Improvements, including reimbursing the Developers under various developer reimbursement agreements, further discussed in NOTE E, (b) fund a debt service reserve fund and (c) pay capitalized interest, (d) pay the costs of the issuance of the 2018 series A Bonds.

The District shall not issue, incur or otherwise enter into any Additional Obligations having a lien upon the Pledged Revenue, as defined in the Indenture of Trust; or any part thereof that is superior to the lien of the 2018 Series A Bonds.

The 2018 Series A Bonds shall bear interest at the rate of 5.5% per annum, calculated on the basis of a 360-day year of twelve 30 day months, payable to the extent of Pledged Revenue, as defined in the Indenture of Trust, semi-annually on each June 1 and December 1, commencing on December 1, 2018. The 2018 Series A Bonds shall require principal payments commencing on December 1, 2024, with a final maturity on December 1, 2047.

Carriage Hills Metropolitan District

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE D - LONG-TERM DEBT - *continued*

General Obligation Limited Tax Bonds, Series 2018 A - continued

Under the terms of the Indenture of Trust, the District is to transfer the Pledged Revenue as defined in the Indenture of Trust, to the Trustee as soon as may be practicable after receipt thereof.

On each November 1, the Trustee shall determine the amount credited to the Bond Fund and, to the extent the amount therein is in excess of the amount required to pay interest on the 2018 Series A Bonds, the Trustee shall give notice of any redemption.

Optional Redemption

The 2018 Series A Bonds shall be subject to optional redemption to the extent Pledged Revenue is available beginning after December 1, 2023. The optional redemption price shall be equal to the principal, accrued interest and a redemption premium. The redemption premium shall be as follows:

<u>Date of Redemption</u>	<u>Redemption Premium</u>
December 1, 2023 to November 30, 2024	3.00%
December 1, 2014 to November 30, 2025	2.00%
December 1, 2025 to November 30, 2026	1.00%
December 1, 2026 and thereafter	0.00%

Annual Audit

Under the terms of the Indenture of Trust, the District shall provide an audit of the District's annual financial statements no later than September 30 of the calendar year after the calendar year end.

Subordinate Limited Tax General Obligation Bonds, Series 2018 B

On May 3, 2018, the District issued the Subordinate Limited Tax General Obligation Bonds, Series 2018B ("2018 Series B Bonds") in an amount not to exceed \$2,655,000 for purpose of paying the costs to acquire the Public Improvements and other Improvements, including reimbursing the Developers under various developer reimbursement agreements, further discussed in NOTE E. The outstanding balance as of December 31, 2018 was \$2,432,487.

The 2018 Series B Bonds shall bear interest at the rate of 7.5% per annum, calculated on the basis of a 365-day year, payable to the extent of Subordinate Pledged Revenue, as defined in the Indenture of Trust, annually on December 15, commencing on December 1, 2019. The 2018 Series B Bonds require a principal payment upon the final maturity on December 15, 2047.

Optional Redemption

The 2018 Series B Bonds shall be subject to optional redemption to the extent Subordinate Pledged Revenue is available beginning after December 15, 2027. The optional redemption price shall be equal to the principal and accrued interest without a redemption premium.

Taxable Limited Tax Revenue Bonds, Series 2016

In April 2016, the District issued Taxable Limited Tax Revenue Bonds, Series 2016 ("Series 2016 Bonds") in the amount of \$185,000 to assist in the financing of certain working capital expenditures relating to certain Public Improvements. The Series 2016 Bonds were paid in full in 2018.

Carriage Hills Metropolitan District
NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE D - LONG-TERM DEBT - *continued*

Changes in the District's Long-Term Debt

The changes in the District's long-term debt for the year ended December 31, 2018 are as follows:

	Balance December 31, 2017	Borrowings	Payments	Balance December 31, 2018	Balance Due in One Year
2018 Series A Bonds	\$ -	4,960,000	-	4,960,000	-
2018 Series B Bonds	-	2,432,487	-	2,432,487	-
2016 Series Bonds	157,000	-	157,000	-	-
	<u>\$ 157,000</u>	<u>\$ 7,392,487</u>	<u>\$ 157,000</u>	<u>\$ 7,392,487</u>	<u>\$ -</u>

Future Maturities

The future minimum principal payments as of December 31, 2018, are as follows:

Year Ending	2018 Series A Bonds	2018 Series B Bonds	Total
2019	\$ -	\$ -	\$ -
2020	-	-	-
2021	-	-	-
2022	-	-	-
2023	-	-	-
2024-2028	360,000	-	360,000
2029-2033	615,000	-	615,000
2034-2038	970,000	-	970,000
2039-2043	1,435,000	-	1,435,000
2044-2047	1,580,000	2,432,487	4,012,487
Total	<u>\$ 2,845,000</u>	<u>\$ 2,432,487</u>	<u>\$ 7,392,487</u>

Authorized, But Unissued Debt

As of December 31, 2018, the amount of the voter authorized, but unissued debt for the Carriage Hill Metropolitan District was \$23,550,000. However, the District's Service Plan limits currently the total debt issuance to \$7,800,000. As such, the District has no remaining authorized, but unissued debt.

NOTE E – COMMITMENTS

Advance and Reimbursement Agreement- Carriage Hills Development, Inc.

In June 2006, the District entered into an Advance and Reimbursement Agreement ("ARA") with Carriage Hills Development, Inc. ("Carriage Hills") under which Carriage Hills agreed to advance funds for the construction, maintenance and operating costs, as defined in the ARA, consistent with the public objects and purpose of the District.

The District shall reimburse the Developer for any advances together with interest at the rate of 7% per annum. There were no advance reimbursements outstanding to Carriage Hills under the ARA as of December 31, 2018.

Carriage Hills Metropolitan District
NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE E – COMMITMENTS - *continued*

Infrastructure Acquisition Agreement - Carriage Hills Development, Inc.

In December 2010, the District entered into an Infrastructure Acquisition Agreement with Carriage Hills under which the District agrees to acquire various improvements from Carriage Hills at a reasonable cost. The Purchase Price for all or any of the completed improvements or improvements for which work is in process, shall be equal to the District Costs. The District Costs shall be the amount so certified in the Cost Certification as defined in the Infrastructure Acquisition Agreement. In 2018, the District acquired improvements in the amount of \$6,432,488, which were subsequently conveyed to the Town of Frederick.

Infrastructure Acquisition Agreement - Babcock Land Corp.

In May 2013, the District entered into an Infrastructure Acquisition Agreement with Babcock Land Corp. ("Babcock") under which the District agrees to acquire various improvements from Babcock at a reasonable cost. The Purchase Price for all or any of the completed improvements or improvements for which work is in process, shall be equal to the District Costs. The District Costs shall be the amount so certified in the Cost Certification as defined in the Infrastructure Acquisition Agreement.

Infrastructure Acquisition and Reimbursement Agreement - Babcock Land Corp.

In May 2014, the District entered into an Infrastructure Acquisition and Reimbursement Agreement ("IARA") with Babcock pursuant to which the District agreed to reimburse Babcock up to \$400,000 for "District Eligible Costs", if certain agreed upon conditions exist and solely from that source of revenue identified in Paragraph 6 of the IARA.

Repayment obligation incurred under the IARA shall not bear interest, and the amount due and owing shall be due to the extent funds are available. In 2018, the District acquired improvements in the amount of \$400,000; however, the conditions precedent to establishing the repayment had not been met as of December 31, 2018.

In May 2019, the District received a letter from Babcock alleging breach of the District's obligation to Babcock under the IARA and a demand for payment to Babcock in the amount of \$400,000 plus interest in the amount of \$36,734, plus attorney's fees. On July 30, 2019, Babcock filed a Complaint and Demand for Jury Trial against the District, Carriage Hills and members of the Board of Directors, individually.

NOTE F - CAPITAL ASSETS

Changes in the District's capital assets for the year ended December 31, 2018 are as follows:

	Balance December 31, 2017	Additions	Disposals	Balance December 31, 2018
Landscaping	\$ -	\$ 400,000	\$ -	\$ 400,000
Accumulated depreciation	-	(22,222)	-	(22,222)
Net capital assets	\$ -	\$ 377,778	\$ -	\$ 377,778

Carriage Hills Metropolitan District

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE G – FUND BALANCE/NET POSITION

Fund Balance

The District utilizes the fund balance presentation as required under GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Fund balances, as applicable, are categorized as non-spendable, restricted, committed, assigned, or unassigned.

Non-spendable – represents amounts that cannot be spent because they are either in non-spendable form or legally required to remain intact;

Restricted – represents amounts with external constraints placed on the use of these resources or imposed by enabling legislation;

Committed – represents amounts that may only be used for specific purposes imposed by a formal action of the District’s highest level of decision-making authority, the District’s Board of Directors. Committed resources cannot be used for any other purpose, unless the District’s Board of Directors remove or change the specific use by the same type of action used to commit those amounts, either by resolution or by ordinance;

Assigned – represents amounts that the District intends to use for specific purposes, as expressed by the District’s Board of Directors or a District official delegated the authority to assign such amounts;

Unassigned – represents the residual classification for the general fund or deficit balances in other funds, as applicable.

Amounts are considered to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available. Unrestricted amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of these unrestricted fund balances classifications could be used.

As of December 31, 2018, the District’s fund balance consisted of the following:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Fund balances:					
Non-spendable					
Prepaid expenses	\$ 4,613	\$ -	\$ -	\$ -	\$ 4,613
Restricted					
TABOR	2,500	-	-	-	2,500
Debt service	-	-	656,398	-	656,398
Committed	-	155,455	-	-	155,955
Unassigned	<u>201,792</u>	<u>-</u>	<u>-</u>	<u>(314,513)</u>	<u>(113,221)</u>
Total fund balances (deficit)	<u>\$ 208,905</u>	<u>\$ 155,455</u>	<u>\$ 656,398</u>	<u>\$ (314,513)</u>	<u>\$ 706,245</u>

Carriage Hills Metropolitan District
NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE G – FUND BALANCE/NET POSITION - *continued*

Net Position

The District's net position represents the difference between the District's assets, liabilities, and deferred inflows of resources. The District may report three categories of net position, as follows:

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

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

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

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

NOTE H - RELATED PARTIES

Members of the Board of Directors

Members of the Board of Directors are owners of Carriage Hills.

Marketplace Metropolitan District

Carriage Hills is also the Developer of Marketplace Metropolitan District ("Marketplace") and as of December 31, 2018 there was \$133,257 due to the District from Marketplace for funds advanced by the District on behalf of Marketplace.

NOTE I – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, errors or omissions, and natural disasters, as well as theft of, damage to, or destruction of, property.

The District is a member of the Colorado Special Districts Property and Liability Pool ("Pool") as of December 31, 2018. The Pool is an organization created by intergovernmental agreements to provide property, liability, public officials' liability, boiler, and other coverage to its members.

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

Carriage Hills Metropolitan District

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE J – 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, and debt limitations, which apply to the State of Colorado and to all local governments.

Spending and revenue limits are determined based upon 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.

The District’s management believes it is in compliance with the provisions of TABOR. TABOR, however, is complex and subject to interpretation. Many of the provisions, including the calculation of the fiscal year spending limits, will require judicial interpretation.

NOTE K – MANAGEMENT’S EVALUATION OF SUBSEQUENT EVENTS

The preparation of the District’s financial statements and accompanying footnotes in conformity with US GAAP requires District management to evaluate transactions and events subsequent to the balance sheet date involving the District. Management has evaluated the subsequent transactions and events of the District through August 29, 2019 which is the date that the financial statements and accompanying notes were available for issuance.

Carriage Hills Metropolitan District
 NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE L – RECONCILIATION OF GOVERNMENT-WIDE AND GOVERNMENTAL FUND FINANCIAL STATEMENTS

The Governmental Funds Balance Sheet/Statement of Net Position and Statement of Governmental Funds Revenue, Expenditures and Changes in Fund Balance/Statement of Activities includes an adjustments column, which reconciles the differences between the government-wide and governmental fund financial statements, as follows:

Governmental Funds Balance Sheet/Statement of Net Position

Long-term debt, including accrued interest payable, is not due and payable in the current period and therefore is not reported in the governmental funds,

Long-term debt	\$	7,392,487
Accrued interest payable		146,504

Capital assets, net of accumulated depreciation, reflected in the Statement of Net Position are not financial resources in the governmental funds and accordingly are not reported in the governmental funds.

377,778

Statement of Governmental Funds Revenue, Expenditures and Changes in Fund Balance/Statement of Activities

Governmental funds report the acquisition of capital assets as expenditures, as discussed above, capital assets acquired are recorded in the Statement of Net Position and depreciated over the estimated useful lives,

400,000

Depreciation of capital assets is reflected in the Statement of Activities,

22,222

Interest expense is recorded in the Statement of Activities when incurred. Interest is only recorded, as paid, in the debt service fund,

146,504

Principal payments on debt are expenditures in the governmental funds; however, the principal payment is a reduction in the long-term debt as reflected in the Statement of Net Position,

157,000

Governmental funds report the proceeds from issuance of debt as revenue. However, for the governmental-wide financial statements, the revenue is not reflected and the debt is recognized on the Statement of Net Position.

7,392,488

SUPPLEMENTARY INFORMATION

Carriage Hills Metropolitan District

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

For the Year ended December 31, 2018

	Original and Final Budget	Actual	Variance
Revenues			
Capital facilities fees	\$ 241,298	\$ -	\$ (241,298)
Other	-	14,273	14,273
	<u>241,298</u>	<u>14,273</u>	<u>(227,025)</u>
Expenditures			
Operating			
Engineering	12,280	25,256	(12,976)
Capital outlay			
Public improvements	-	6,832,488	(6,832,488)
Debt Service			
Cost of issuance	-	341,400	(341,400)
	<u>12,280</u>	<u>7,199,144</u>	<u>(7,186,864)</u>
Excess of revenues over expenditures	229,018	(7,184,871)	(7,428,162)
Other sources (uses)			
Transfer out to Debt Service Fund	-	(157,000)	(157,000)
Proceeds from the issuance of debt	-	6,773,888	6,773,888
	<u>-</u>	<u>6,616,888</u>	<u>6,616,888</u>
Change in fund balance	<u>\$ 229,018</u>	<u>(567,983)</u>	<u>\$ (811,274)</u>
Fund Balance			
Beginning of the year		<u>253,470</u>	
End of the year		<u>\$ (314,513)</u>	

Carriage Hills Metropolitan District

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

For the Year ended December 31, 2018

	Original and Final Budget	Actual	Variance
Revenues			
Property taxes	\$ 162,950	\$ 162,950	\$ -
Specific ownership taxes	11,406	12,594	1,188
Interest	-	7,511	7,511
	<hr/>	<hr/>	<hr/>
Total revenues	174,356	183,055	8,699
Expenditures			
Operating			
Treasurer's fees	3,259	2,446	813
Office expense	-	36	(36)
Debt service			
Paying agent fees	2,500	-	2,500
Principal	162,207	157,000	5,207
Interest	6,390	158,914	(152,524)
	<hr/>	<hr/>	<hr/>
Total expenditures	174,356	318,396	(144,040)
Excess of revenues over expenditures	-	(135,341)	(135,341)
Other sources			
Transfer in from Capital Projects Fund	-	157,000	157,000
Proceeds from the issuance of debt	-	618,600	618,600
	<hr/>	<hr/>	<hr/>
Total other sources	-	775,600	775,600
Change in fund balance	<u>\$ -</u>	640,259	<u>\$ 640,259</u>
Fund Balance			
Beginning of the year		<hr/> 16,139	
End of the year		<u>\$ 656,398</u>	