



FIVETREES METROPOLITAN DISTRICT
FINANCIAL STATEMENTS AND INDEPENDENT
AUDITOR'S REPORT

December 31, 2018

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INDEPENDENT AUDITOR'S REPORT

April 19, 2019

Board of Directors
FiveTrees Metropolitan District

We have audited the accompanying financial statements of the governmental activities and the major fund of FiveTrees Metropolitan 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, and the related notes to the financial statements.

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 of material misstatement.

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

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



FiveTrees Metropolitan District
April 19, 2019
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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 FiveTrees Metropolitan District as of December 31, 2018, and the respective changes in financial position thereof and the respective 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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 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.

Chadwick, Steinkirchner, Davis & Co., P.C.

FIVETREES METROPOLITAN DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2018

The FiveTrees Metropolitan District (the "District") was approved by voters on November 7, 2000, and formally organized by judicial decree on November 30, 2000, for the purpose of providing certain public infrastructure, municipal services, and recreational services (open space, trails, and a private ski lift) for the benefit of the residents and property owners within the District. The District is located within the City of Aspen, Colorado, and serves a 199-acre residential community between the Aspen School District and Aspen Highlands Ski Area.

As the managers of the FiveTrees Metropolitan District, we offer readers of the District's financial statements this narrative overview and analysis of the District's financial activities for the fiscal year ended December 31, 2018.

OVERVIEW OF THE FINANCIAL STATEMENTS

This *discussion and analysis* are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) Government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. Current-year to prior-year comparisons are presented below to help users evaluate the results of the District over the past two years.

The Statement of Net Position presents information on all the District's assets, liabilities and deferred inflows of resources, with the difference between the assets and total liabilities and deferred inflows of resources reported as Net Position. Over time, increases or decreases 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 government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements can be found on pages 7 thru 8 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District has one fund that is reported as a governmental fund, which focuses on how money flows into and out of this fund and the balances left at year-end that are available for spending.

FIVETREES METROPOLITAN DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2018

Governmental Fund financial statements are prepared on a modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a short-term view of the District's general government operations and the basic services it provides.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found starting on page 12 of this report.

THE DISTRICT AS A WHOLE

Statement of Net Position

The perspective of the Statement of Net Position is of the District as a whole. Following is a summary of the District's net position for the fiscal year 2018 compared to 2017:

<i>(In Thousands)</i>	<u>2018</u>	<u>2017</u>
<u>ASSETS:</u>		
Current and Other Assets	\$ 1,467	\$ 1,434
Capital Assets, Net of Depreciation	<u>613</u>	<u>602</u>
Total Assets	<u>2,080</u>	<u>2,036</u>
<u>LIABILITIES:</u>		
Current and Other Liabilities	140	93
<u>DEFERRED INFLOWS OF RESOURCES:</u>		
Property Taxes	<u>446</u>	<u>389</u>
Total Liabilities & Deferred Inflows of Resources	586	482
<u>NET POSITION:</u>		
Net Investment in Capital Assets	613	602
Restricted for Emergencies	14	13
Unrestricted (Deficit)	<u>868</u>	<u>938</u>
Total Net Position	<u>\$ 1,495</u>	<u>\$ 1,553</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 2,081</u>	<u>\$ 2,035</u>

The District's Net Position decreased in 2018 by \$57,526 due to a decrease in unrestricted earnings, or greater uses of funds over sources of funds, requiring use of prior reserves.

**FIVETREES METROPOLITAN DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2018**

Statement of Activities

The Statement of Activities reflects general property taxes and service revenues and the cost of providing services to the District. The following summary reflects the overall change in net position for the fiscal year 2018 compared to 2017:

<i>(In Thousands)</i>	2018	2017
<u>REVENUES:</u>		
Property Taxes	\$ 389	\$ 379
Specific Ownership Taxes	14	14
Interest earnings	23	11
Fee income	41	34
Total Revenues	467	438
<u>EXPENSES:</u>		
General Government	125	102
Public Works	191	148
(Roads, Irrigation, Transit, Landscaping)		
Culture and Recreation	178	141
Total Expenses	494	391
Change in Net Position	\$ (27)	\$ 47

FINANCIAL ANALYSIS OF THE DISTRICT'S FUND

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

Governmental Fund

For 2018 revenues and expenditures in the Governmental Fund see pages 10 and 11 of this report. Total 2018 revenues increased by \$29,325 or 6.7% compared to 2017. This is primarily due to an increase in property taxes from a substantial increase in property valuations and an increase in interest earnings due to rising interest rates. Total 2018 expenditures increased \$103,606 or 26.5% over 2017. The greatest cost increase occurred in capital outlay for district road improvements and mailbox improvements. Operation expenditures also increased in engineering, legal and road labor.

FIVETREES METROPOLITAN DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2018

BUDGET VARIANCES

For a summary of the District's budget to actual revenues and expenditures, please see page 11 of this report. The District's revenues in the amount of \$467,577 were greater than budget expectations of \$420,916 by \$46,661 or 11.1%. This was primarily due to more than anticipated interest income with rising interest rates on deposits and lift fees from out-of-district lift users. Total expenditures were \$7,993 or 1.6% less than budgeted. Budget savings were realized in insurance, transportation, irrigation and landscape maintenance. Expense overages occurred in management fees, professional fees, road maintenance, lift operations and capital outlay.

CAPITAL ASSETS

The District's net capital assets increased by \$11,777 in governmental activities. This increase is due to current-year additions being more than current year depreciation. Additional information as well as a detailed classification of the District's net capital assets can be found in the Notes to the Financial Statements (Note C) on page 18 of this report.

REQUEST FOR INFORMATION

This financial report is designed to provide our residents, customers, taxpayers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions regarding this report or need additional financial information, please contact the:

FiveTrees Metropolitan District Manager
C/O The Romero Group, LLC
350 Market Street, Suite 304
Basalt, CO 81621
Telephone: (970) 273-3100
Fax: (970) 273-3105

FiveTrees Metropolitan District
STATEMENT OF NET POSITION

December 31, 2018

	Governmental Activities
ASSETS	
Cash and investments	\$ 903,571
Restricted cash for compliance deposits	80,000
Receivables	
Accounts receivable	15,967
Property taxes	445,535
Prepaid expense	22,423
Capital assets, net of accumulated depreciation	613,457
Total assets	2,080,953
LIABILITIES	
Accounts payable	56,728
Unearned lift revenue	2,256
Deposits	81,297
Total liabilities	140,281
DEFERRED INFLOW OF RESOURCES	
Property taxes	445,535
Total deferred inflow of resources	445,535
Total liabilities and deferred inflow of resources	585,816
NET POSITION	
Net investment in capital assets	613,457
Restricted for emergencies	14,027
Unrestricted	867,653
Total net position	\$ 1,495,137

The accompanying notes are an integral part of this statement.

FiveTrees Metropolitan District

STATEMENT OF ACTIVITIES

Year ended December 31, 2018

Function/Programs	Expenses	Program Revenues			Total Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	\$ 125,286	\$ 6,829	\$ -	\$ -	\$ (118,457)
Public works	190,807	50	-	-	(190,757)
Culture and recreation	178,294	34,536	-	-	(143,758)
Total governmental activities	\$ 494,387	\$ 41,415	\$ -	\$ -	(452,972)
General revenues:					
Property and specific ownership taxes					403,690
Interest earnings					22,472
Total general revenues					426,162
Change in net position					(26,810)
Net position - beginning					1,521,947
Net position - ending					<u>\$ 1,495,137</u>

The accompanying notes are an integral part of this statement.

FiveTrees Metropolitan District

BALANCE SHEET - GOVERNMENTAL FUNDS

December 31, 2018

	General	Total Governmental Funds
ASSETS		
Cash and investments	\$ 903,571	\$ 903,571
Restricted cash for compliance deposits	80,000	80,000
Receivables		
Accounts receivable	15,967	15,967
Property taxes	445,535	445,535
Prepaid expense	22,423	22,423
Total assets	<u>1,467,496</u>	<u>1,467,496</u>
LIABILITIES		
Accounts payable	56,728	56,728
Unearned lift revenue	2,256	2,256
Deposits	81,297	81,297
Total liabilities	<u>140,281</u>	<u>140,281</u>
DEFERRED INFLOW OF RESOURCES		
Property taxes	445,535	445,535
Total deferred inflow of resources	<u>445,535</u>	<u>445,535</u>
Total liabilities and deferred inflow of resources	<u>585,816</u>	<u>585,816</u>
FUND EQUITY		
Nonspendable	22,423	22,423
Restricted for emergencies	14,027	14,027
Unassigned	845,230	845,230
Total fund equity	<u>\$ 881,680</u>	<u>\$ 881,680</u>
	Fund equity (as reported above)	\$ 881,680
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		<u>613,457</u>
Net position of governmental activities		<u>\$ 1,495,137</u>

The accompanying notes are an integral part of this statement.

FiveTrees Metropolitan District

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS

Year ended December 31, 2018

	General	Total Governmental Funds
Revenues		
Property taxes	\$ 389,476	\$ 389,476
Specific ownership taxes	14,214	14,214
Interest earnings	22,472	22,472
Fee income	41,415	41,415
Total revenues	<u>467,577</u>	<u>467,577</u>
Expenditures		
Current		
General government	125,286	125,286
Public works	142,016	142,016
Culture and recreation	140,894	140,894
Capital outlay	97,968	97,968
Total expenditures	<u>506,164</u>	<u>506,164</u>
Excess of Revenues Over (Under) Expenditures	(38,587)	(38,587)
Fund Balance - beginning	<u>920,267</u>	<u>920,267</u>
Fund Balance - ending	<u>\$ 881,680</u>	<u>\$ 881,680</u>
Net Change in Fund Balance (above)		\$ (38,587)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and depreciated. This is the amount by which depreciation is less than capital outlay in the current period. (\$87,215 - \$75,438)		<u>11,777</u>
Change in net position of governmental activities		<u>\$ (26,810)</u>

The accompanying notes are an integral part of this statement.

FiveTrees Metropolitan District

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

Year ended December 31, 2018

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property taxes	\$ 389,476	\$ 389,476	\$ -
Specific ownership taxes	11,684	14,214	2,530
Interest earnings	10,010	22,472	12,462
Fee and charge income	9,746	41,415	31,669
Total revenues	<u>420,916</u>	<u>467,577</u>	<u>46,661</u>
Expenditures			
Current			
General government			
Management fees	42,840	48,784	(5,944)
Professional fees	14,945	29,933	(14,988)
Treasurer's fees	19,474	19,540	(66)
Insurance	17,455	16,343	1,112
Office	7,724	10,686	(2,962)
Public works			
Highways and streets	62,683	63,474	(791)
Transportation	36,215	33,938	2,277
Irrigation, drainage and landscape	63,251	39,761	23,490
Weed and pest control	10,530	4,843	5,687
Culture and recreation			
Lift operations	133,841	135,597	(1,756)
Parks and trails	1,924	5,297	(3,373)
Contingency	31,275	-	31,275
Capital outlay	72,000	97,968	(25,968)
Total expenditures	<u>514,157</u>	<u>506,164</u>	<u>7,993</u>
Excess of Revenues Over (Under) Expenditures	(93,241)	(38,587)	54,654
Fund balance, beginning	<u>166,650</u>	<u>920,267</u>	<u>753,617</u>
Fund balance, ending	<u>\$ 73,409</u>	<u>\$ 881,680</u>	<u>\$ 808,271</u>

The accompanying notes are an integral part of this statement.

FiveTrees Metropolitan District
NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Organization

The FiveTrees Metropolitan District (the District) was organized pursuant to provisions set forth in the Colorado Special District Act in 2000. The governing body of the District consists of a five member Board of Directors, which is elected by the registered voters within the District. The purpose of the District is to manage the operation of all the facilities and improvements needed for FiveTrees Development, which is located within the City of Aspen.

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (“GAAP”) as applied to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District’s accounting policies are described below.

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

2. Reporting Entity

The reporting entity consists of (a) the primary government; i.e., the District, and (b) organizations for which the District is financially accountable. The District is considered financially accountable for legally separate organizations if it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the District. Consideration is also given to other organizations which are fiscally dependent; i.e., unable to adopt a budget, levy taxes, or issue debt without approval by the District. Organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete are also included in the reporting entity.

Based on the criteria above, the District is not financially accountable for any other entity, nor is the District a component unit of any other government.

3. Government-wide and Fund Financial Statements

The District’s basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District’s major fund). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. Currently, the District has only governmental activities.

FiveTrees Metropolitan District
NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Government-wide Financial Statements

In the government-wide Statement of Net Position, the governmental activities column is reported on a full accrual, economic resource basis, which recognizes all long-term assets, receivables and deferred outflows as well as deferred inflows, long-term debt and obligations. The District's net position is reported as net investment in capital assets, restricted for emergencies, and unrestricted.

The government-wide focus is on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities.

Fund Financial Statements

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, deferred inflows of resources, fund equity, revenues and expenditures.

The fund focus is on current available resources and budget compliance.

4. Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The District currently has one General Fund, which is a governmental fund.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets, liabilities, and deferred inflows of resources is reported as fund balance.

The District reports the following major governmental fund:

General Fund – The General Fund is used to account for all financial resources of the District except those required to be accounted for in another fund. The general fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Colorado and the bylaws of the District.

FiveTrees Metropolitan District
NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

5. Measurement Focus and Basis of Accounting

Measurement focus refers to whether financial statements measure changes in current resources only (current financial focus) or changes in both current and long-term resources (long-term economic focus). Basis of accounting refers to the point at which revenues, expenditures, or expenses are recognized in the accounts and reported in the financial statements.

Long-Term Economic Focus and Accrual Basis

Governmental activities in the government-wide financial statements use the long-term economic focus and are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

Current Financial Focus and Modified Accrual Basis

The governmental fund financial statements use the current financial focus and are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. “Available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized when the related liability is incurred. The exception to this general rule is that principal and interest on long-term debt, if any, is recognized when due.

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the District's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the District's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications—committed and then assigned fund balances before using unassigned fund balances.

6. Government-wide Net Position

- *Net investment in capital assets*—consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.
- *Restricted net position*—consist of assets that are restricted by the District's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors (those who may donate to the District less related liabilities and deferred inflows of resources).
- *Unrestricted*—all other net position is reported in this category.

FiveTrees Metropolitan District

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

7. Governmental Fund Balances

In the governmental fund financial statements, fund balances are classified as follows:

- *Non-spendable fund balance* - The portion of fund balance that cannot be spent because it is either not in spendable form (such as inventory) or is legally or contractually required to be maintained intact.
- *Restricted fund balance* - The portion of fund balance constrained to being used for a specific purpose by external parties (such as grantors or bondholders), constitutional provisions or enabling legislation.
- *Committed fund balance* - The portion of fund balance constrained for specific purposes according to limitations imposed by the District's highest level of decision making authority, the Board of Directors, prior to the end of the current fiscal year. The constraint may be removed or changed only through formal action of the Board of Directors.
- *Assigned fund balance* - The portion of fund balance set aside for planned or intended purposes. The intended use may be expressed by the Board of Directors or other individuals authorized to assign funds to be used for a specific purpose.
- *Unassigned fund balance* - The residual portion of fund balance that does not meet any of the above criteria. The District will only report a positive unassigned fund balance in the General Fund.

8. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

FiveTrees Metropolitan District
NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

9. Stewardship, Compliance, and Accountability

Budgets and Budgetary Accounting

In the fall of each year, the District's Board of Directors formally adopts a budget with appropriations by fund for the ensuing year pursuant to the Colorado Local Budget Law. The budget for the governmental fund is adopted on a basis consistent with generally accepted accounting principles ("GAAP").

As required by Colorado statutes, the District followed the timetable below in approving and enacting a budget for the ensuing years:

- (1) For the 2018 budget year, prior to August 23, 2017, the County Assessor sent the District the assessed valuation of all taxable property within the District's boundaries.
- (2) On or before October 15, 2017, the District's accountant submitted to the District's Board of Directors a recommended budget which detailed the necessary property taxes needed along with other available revenues to meet the District's operating requirements.
- (3) The Board held a public hearing on the proposed budget and capital program no later than 45 days prior to the close of the fiscal year.
- (4) For the 2018 budget, prior to December 15, 2017, the District computed and certified to the County Commissioners a rate of levy that derived the necessary property taxes as computed in the proposed budget.
- (5) For the 2018 budget, the final budget and appropriating resolution was adopted prior to December 31, 2017.
- (6) After adoption of the budget resolution, the District may make the following changes: a) it may transfer appropriated monies between funds or between spending agencies within a fund, as determined by the original appropriation level; b) supplemental appropriations to the extent of revenues in excess of those estimated in the budget; c) emergency appropriations; and d) reduction of appropriations for which originally estimated revenues are insufficient.

The level of control in the budget at which expenditures exceed appropriations is at the fund level. All appropriations lapse at year end.

FiveTrees Metropolitan District

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

10. Capital Assets

Capital assets are reported in the applicable governmental activities columns in the Government-wide Financial Statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are completed for amounts of \$5,000 or greater.

Depreciation is computed using the straight-line method over estimated useful lives, as follows:

	<u>Estimated Lives</u>
Roads infrastructure	15 to 30 year
Utility distribution system	30 years
Ski lift equipment	10 to 25 years

11. Property Taxes

Property taxes for 2018, collectible in 2019, were certified by the Pitkin County Commissioners before December 31, 2018. Property taxes attached as an enforceable lien on January 1, 2019 and are due in total April 30, 2019 or in equal installments February 28, 2019 and June 15, 2019, at the option of the taxpayer. Property taxes for 2018, collectible in 2019, are shown as property taxes receivable and deferred inflows of resources on the statement of net position in the amount of the assessed taxes. The County Treasurer remits taxes collected monthly to the District.

12. Accounts Receivable

The District considers accounts receivable to be fully collectible. Accordingly, no allowance for doubtful accounts is required.

FiveTrees Metropolitan District

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE B – CASH AND INVESTMENTS

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 102% of the aggregate uninsured deposits. As of December 31, 2018, the District had cash deposits of \$28,538 of which 100% was covered by federal depository insurance.

Investments

Colorado state statutes authorize the District to invest in U.S. Treasury bills, obligations of any other U.S. agencies, obligations of the World Bank, general obligation bonds of any state or any of their subdivisions, revenue bonds of any state or any of their subdivisions, bankers acceptance notes, commercial paper, repurchase agreements, money market funds and guaranteed investment contracts. All investments must be held by the District, in their name, or in custody of a third party on behalf of the local government.

As of December 31, 2018, the District had \$976,494 invested in the Colorado Local Government Liquid Asset Trust (Colotrust), an investment vehicle established for local government entities in Colorado to pool surplus funds. Colotrust operates similarly to a money market fund and each share is equal in value to \$1.00. A designated custodial bank provides safekeeping and depository services to Colotrust in connection with the direct investment and withdrawal functions of Colotrust. Substantially all securities owned by Colotrust are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by Colotrust. Colotrust funds carry a Standard & Poor's AAAM rating. There is no custodial, interest rate or foreign currency risk exposure. COLOTRUST operates like a 2a-7 external investment pool and investments in the pool are valued at \$1 net asset value (NAV) per share. The underlying investments held by Colotrust are valued at fair value.

NOTE C – CAPITAL ASSETS

A summary of changes in capital assets follows:

	Balance 12/31/17	Additions	Dispositions	Balance 12/31/18
Governmental activities				
Capital assets being depreciated				
Roads	\$ 531,648	\$ 87,215	\$ –	\$ 618,863
Irrigation system	300,000	–	–	300,000
Ski lift equipment	946,587	–	–	946,587
Less: accumulated depreciation	(1,176,555)	(75,438)	–	(1,251,993)
Capital assets, net	<u>\$ 601,680</u>	<u>\$ 11,777</u>	<u>\$ –</u>	<u>\$ 613,457</u>

FiveTrees Metropolitan District
NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE C – CAPITAL ASSETS – CONTINUED

Depreciation expense was charged to functions/programs as follows:

Culture and recreation	\$ 37,400
Public works	<u>38,038</u>
Total depreciation expense – governmental activities	<u>\$ 75,438</u>

NOTE D – COMMITMENTS AND CONTINGENCIES

During the normal course of business, the District may incur claims and other assertions against it from various agencies and individuals. Management of the District has disclosed that there are no material outstanding claims against the District at December 31, 2018.

NOTE E – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; and general liability. The District is a member of the Colorado Special District Property and Liability Pool (“Pool”) for property and liability insurance.

The Pool was formed by an intergovernmental agreement to provide public officials, property, general and automobile liability coverage for claims up to \$1,000,000, except if the claim falls within the government immunity statute, then the coverage is \$150,000 per person and a \$600,000 aggregate claim. The Pool is reinsured for 80% of the first \$250,000 of all claims and 100% for claims in excess of \$250,000. The District may be required to make additional contributions in the event aggregate losses incurred by the Pool exceed amounts recoverable from reinsurance contracts. 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. Any settled claims are not expected to exceed coverage. A summary of audited statutory basis financial information for the Pool as of and for the year ended December 31, 2017 (the latest audited information available) is as follows:

Assets	\$ <u>56,602,888</u>
Liabilities	\$ 30,815,521
Net Assets	<u>25,787,367</u>
	<u>\$ 56,602,888</u>
Revenue	\$ 20,082,198
Investment income and other	<u>631,496</u>
Total revenue	20,713,694
Expenses	<u>18,721,378</u>
Excess of revenues over/(under) expenses	<u>\$ 1,992,316</u>

FiveTrees Metropolitan District

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE F – TABOR AMENDMENT

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20, commonly known as the Taxpayer’s Bill of Rights (“TABOR”). TABOR contains revenue, spending, tax and debt limitations which apply to the State of Colorado and local governments. TABOR requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that of the prior year, extension of any expiring tax, or tax policy change directly causing a new tax revenue gain to any local government. Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple fiscal year or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in future years.

TABOR also requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be 3% or more of the fiscal year spending (excluding bonded debt service) for fiscal years ended after December 31, 1994. At December 31, 2018, a reserve of \$14,027 was required.

Under TABOR, the initial base for local government spending and revenue limits is December 31, 2000 fiscal year spending. Future spending and revenue limits are determined based on the prior year’s fiscal year spending adjusted for inflation in the prior calendar year plus annual local growth. Fiscal year spending is generally defined as expenditures and reserve increases with certain exceptions. Revenue, if any, in excess of the fiscal year spending limit must be refunded in the next fiscal year unless voters approve retention of such revenue.

In 2000 the District’s electorate voted to allow the District to collect, retain and expend revenues notwithstanding any of TABOR’s restrictions.

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