

COALTON METROPOLITAN DISTRICT

BASIC FINANCIAL STATEMENTS

December 31, 2018

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FINANCIAL SECTION



JOHN CUTLER & ASSOCIATES

Board of Directors
Coalton Metropolitan District
Superior, Colorado

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Coalton Metropolitan District, as of and for the year ended 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.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Coalton Metropolitan District as of December 31, 2018, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has not presented the management's discussion and analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedule on page 17 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Coalton Metropolitan District's financial statements. The individual fund schedule is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund schedules are fairly stated in all material respects in relation to the financial statements as a whole.

John Luttler & Associates, LLC

July 25, 2019

BASIC FINANCIAL STATEMENTS

COALTON METROPOLITAN DISTRICT

STATEMENT OF NET POSITION

As of December 31, 2018

	<u>Governmental Activities</u>
ASSETS	
Cash and Investments	\$ 9,569
Accounts Receivable	6,931
Property Taxes Receivable	19,840
Prepaid Expenses	4,345
Capital Assets, depreciated net of accumulated depreciation	<u>2,120,837</u>
 TOTAL ASSETS	 <u>2,161,522</u>
LIABILITIES	
Accounts Payable	10,681
Accrued Interest	37,668
Noncurrent Liabilities	
Due within One Year	63,372
Due in more than One Year	<u>2,166,759</u>
 TOTAL LIABILITIES	 <u>2,278,480</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Property Taxes	<u>19,840</u>
NET POSITION	
Net Investment in Capital Assets	(83,590)
Restricted	900
Unrestricted	<u>(54,108)</u>
 TOTAL NET POSITION	 <u>\$ (136,798)</u>

The accompanying notes are an integral part of the financial statements.

COALTON METROPOLITAN DISTRICT

STATEMENT OF ACTIVITIES
Year Ended December 31, 2018

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>Program Revenues Charges for Services</u>	<u>Net (Expense) Revenues and Changes in Net Position Governmental Activities</u>
PRIMARY GOVERNMENT			
Governmental Activities			
General Government	\$ 96,073	\$ -	\$ (96,073)
Interest on Long-Term Debt	36,634	-	(36,634)
	<u>36,634</u>	<u>-</u>	<u>(36,634)</u>
Total Governmental Activities	<u>\$ 132,707</u>	<u>\$ -</u>	(132,707)
	GENERAL REVENUES		
			26,597
			1,418
			<u>-</u>
			TOTAL GENERAL REVENUES
			<u>28,015</u>
			CHANGE IN NET POSITION
			(104,692)
			NET POSITION, Beginning
			<u>(32,106)</u>
			NET POSITION, Ending
			<u>\$ (136,798)</u>

The accompanying notes are an integral part of the financial statements.

COALTON METROPOLITAN DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
As of December 31, 2018

	GENERAL FUND	CAPITAL PROJECTS FUND	TOTAL GOVERNMENTAL FUNDS
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and Investments	\$ 9,569	\$ -	\$ 9,569
Accounts Receivable	6,931	-	6,931
Property Taxes Receivable	19,840	-	19,840
Prepaid Expenses	4,345	-	4,345
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 40,685</u>	<u>\$ -</u>	<u>\$ 40,685</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND EQUITY			
LIABILITIES			
Accounts Payable	\$ 10,681	\$ -	\$ 10,681
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>10,681</u>	<u>-</u>	<u>10,681</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Property Taxes	19,840	-	19,840
	<u> </u>	<u> </u>	<u> </u>
FUND EQUITY			
Fund Balance			
Nonspendable	4,345	-	4,345
Restricted for Emergencies	900	-	900
Unassigned	4,919	-	4,919
	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND EQUITY	<u>10,164</u>	<u>-</u>	<u>10,164</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND EQUITY	<u>\$ 40,685</u>	<u>\$ -</u>	

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.	2,120,837
Long-term liabilities are not due and payable in the current period and are not reported in the funds. These include developer advances (\$2,230,131) and accrued interest (\$37,668).	<u>(2,267,799)</u>
Net position of governmental activities	<u>\$ (136,798)</u>

The accompanying notes are an integral part of the financial statements.

COALTON METROPOLITAN DISTRICT

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended December 31, 2018

	GENERAL FUND	CAPITAL PROJECTS FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES			
Taxes	\$ 28,015	\$ -	\$ 28,015
Other	-	-	-
TOTAL REVENUES	<u>28,015</u>	<u>-</u>	<u>28,015</u>
EXPENDITURES			
Current			
General Government	50,151	23,597	73,748
Capital Outlay	-	2,143,162	2,143,162
TOTAL EXPENDITURES	<u>50,151</u>	<u>2,166,759</u>	<u>2,216,910</u>
EXCESS OF REVENUES OVER (UNDER) EXPENSES	<u>(22,136)</u>	<u>(2,166,759)</u>	<u>(2,188,895)</u>
OTHER FINANCING SOURCES			
Proceeds from Developer Advances	<u>22,372</u>	<u>2,166,759</u>	<u>2,189,131</u>
TOTAL OTHER FINANCING SOURCES	<u>22,372</u>	<u>2,166,759</u>	<u>2,189,131</u>
NET CHANGE IN FUND BALANCES	236	-	236
FUND BALANCES, Beginning	<u>9,928</u>	<u>-</u>	<u>9,928</u>
FUND BALANCES, Ending	<u>\$ 10,164</u>	<u>\$ -</u>	<u>\$ 10,164</u>

The accompanying notes are an integral part of the financial statements.

COALTON METROPOLITAN DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2018

Amounts Reported for Governmental Activities in the Statement of Activities
are Different Because:

Net Changes in Fund Balances - Total Governmental Funds	\$ 236
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay \$2,143,162 exceeded depreciation expense (\$22,325) for the current period.	2,120,837
Debt proceeds are reported as financing sources in the governmental funds and increase fund balance. In the government-wide financial statements, however, issuing debt increases long-term liabilities in the statement of net position and does not effect the statement of activities.	(2,189,131)
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This amount is the change in accrued interest for the period.	<u>(36,634)</u>
Change in Net Position of Governmental Activities	<u>\$ (104,692)</u>

The accompanying notes are an integral part of the financial statements.

COALTON METROPOLITAN DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Coalton Metropolitan District (the “District”) was established to provide financing for the construction, operations and maintenance of the District’s improvements for the use and benefit of all anticipated inhabitants and taxpayers of the District. The District is governed by a five-member Board of Directors elected by the eligible electors.

The accounting policies of the District conform to generally accepted accounting principles (“GAAP”) as applicable to governments. The following is a summary of the more significant policies:

Reporting Entity

In accordance with governmental accounting standards, the District has considered the possibility of inclusion of additional entities in its financial statements.

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

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

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

COALTON METROPOLITAN DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current *financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

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

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

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

In the fund financial statements, the District reports the following major governmental funds:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *Capital Projects Fund* accounts for the acquisition and construction of capital assets.

COALTON METROPOLITAN DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Investments

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

Investments are recorded at fair value.

Accounts Receivable

Accounts receivable are presented net of any reserve for uncollectible accounts.

Capital Assets

Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

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

Public Improvements of the District is depreciated using the straight-line method over the estimated useful lives of twenty years.

Long-Term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the governmental activities fund type statement of net position. Bond issue costs are reported as deferred charges and amortized over the term of the related debt.

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

COALTON METROPOLITAN DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and balance sheets will sometimes report a separate section for deferred outflows or resources. This separate financial statement element, *deferred outflow of resources*, represents a consumption of net position and fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position and balance sheets will sometimes report a separate section for deferred inflows or resources. This separate financial statement element, *deferred inflow of resources*, represents an acquisition of net position and fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Net Position

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

Investment in Capital Assets is intended to reflect the portion of net position which are associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost.

Restricted Net Position are liquid assets, which have third party limitations on their use.

Unrestricted Net Position represent assets that do not have any third party limitation on their use. While District management may have categorized and segmented portion for various purposes, the District board of directors has the unrestricted authority to revisit or alter these managerial decisions.

Fund Balance Classification

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

- Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The District classifies Prepaid Expenses as nonspendable as these items are not expected to be converted to cash within the next year.

COALTON METROPOLITAN DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Classification (Continued)

- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The District has classified Emergency Reserves as being restricted because their use is restricted by State Statute for declared emergencies.
- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The District did not have any committed resources as of December 31, 2018.
- Assigned – This classification includes amounts that are constrained by the Board of Directors intent to be used for specific purposes, but are neither restricted nor committed. As of December 31, 2018, the District reports no assigned fund balances.
- Unassigned – This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The District would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned fund balance.

Property Taxes

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

Since property tax revenues are collected in arrears during the succeeding year, a receivable and corresponding deferred revenue are recorded at December 31. As the tax is collected in the succeeding year, the deferred revenue is recognized as revenue and the receivable is reduced.

COALTON METROPOLITAN DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

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

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

NOTE 3: CASH AND INVESTMENTS

Deposits

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by State regulations. At December 31, 2018, State regulatory commissioners have indicated that all financial institutions holding deposits for the District are eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The District has no policy regarding custodial credit risk for deposits.

COALTON METROPOLITAN DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 3: CASH AND INVESTMENTS (Continued)

Deposits (Continued)

At December 31, 2018, the District had deposits with financial institutions with a carrying amount of \$9,569. The bank balances with the financial institutions were \$22,127. All of these balances were covered by federal depository insurance.

Investments

Interest Rate Risk

The District adopted a formal investment policy in June 2017 that reflects the State law requirements for investing public funds.

Credit Risk

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

- Obligations of the United States and certain U.S. government agency securities
- General obligation and revenue bonds of U.S. local government entities
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts

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

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

NOTE 4: CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2018 is summarized below:

	<u>Balances</u> 12/31/17	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> 12/31/18
Governmental Activities				
Capital Assets, depreciated				
Public Improvements	\$ _____ -	\$ <u>2,143,162</u>	\$ _____ -	\$ <u>2,143,162</u>
Less Accumulated Depreciation				
Public Improvements	_____ -	<u>22,325</u>	_____ -	<u>22,325</u>
Governmental Activities, Capital Assets, Net	<u>\$ _____ -</u>	<u>\$ 2,120,837</u>	<u>\$ _____ -</u>	<u>\$ 2,120,837</u>

Depreciation expense was charged to general governmental activities of the District.

COALTON METROPOLITAN DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 5: LONG-TERM DEBT

Following is a summary of long-term debt transactions for the governmental activities for the year ended December 31, 2018:

	Balance <u>12/31/17</u>	<u>Additions</u>	<u>Payments</u>	Balance <u>12/31/18</u>	Due In <u>One Year</u>
Developer Advance- Operating	\$ 41,000	\$ 22,372	\$ -	\$ 63,372	\$ 63,372
Developer Advance- Capital	-	2,166,759	-	2,166,759	-
Accrued Interest - Developer Notes	<u>1,034</u>	<u>36,634</u>	<u>-</u>	<u>37,668</u>	<u>37,668</u>
Total	<u>\$ 42,034</u>	<u>\$ 2,225,765</u>	<u>\$ -</u>	<u>\$ 2,267,799</u>	<u>\$ 101,040</u>

Developer Advance- Operating

On January 1, 2018, the District entered into a Funding and Reimbursement Agreement (the “Agreement”) with Rock Creek Development, Inc. (the “Developer”) for the purpose of consolidating all understandings and commitments between the parties relating to the funding and repayment of the District’s operations and maintenance costs and other budgeted general fund expenditures. The District issued a subordinate note to the Developer in an amount not to exceed \$200,000 to evidence the District’s repayment obligation (“2018 Note”). The note accrues simple interest at 2% plus the current Federal Reserve Board Prime Rate, or 6%, whichever is greater. The interest rate on the note was 7.50% at December 31, 2018. The accrued interest balance on the note is \$4,394 at December 31, 2018.

On October 16, 2018, the funding obligation term of the agreement was extended through December 31, 2019.

Developer Advance- Capital

On June 15, 2017, the District entered into an Improvement Acquisition and Reimbursement Agreement (the “Agreement”) with Rock Creek Development, Inc. (the “Developer”) for the purpose of consolidating all understandings and commitments between the parties relating to the funding and repayment of the District’s costs associated with the District’s organization and construction and acquisition of improvements. The District issued a subordinate note to the Developer in an amount not to exceed \$4,000,000 to evidence the District’s repayment obligation. The note accrues simple interest at 2% plus the current Federal Reserve Board Prime Rate. The note matures on June 15, 2042.

The District shall repay the note from proceeds of one or more series of general or special obligation bonds, revenue bonds, or other multiple fiscal year obligations. The issuance of any bonds shall be in the discretion of the District

COALTON METROPOLITAN DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 5: LONG-TERM DEBT (Continued)

Developer Advance- Capital (Continued)

The interest rate on the note was 7.50% at December 31, 2018. The accrued interest balance on the note is \$33,274 at December 31, 2018.

NOTE 6: RELATED PARTIES

The members of the Board of Directors are employees, owners or are otherwise associated with the developers, Rock Creek Development, Inc. and may have conflicts of interest in dealing with the District. The above named developer is the current developer of the property within the District, and the current holder of (i) the subordinate promissory note issued to secure advances under the Funding and Reimbursement Agreement between the District and the Developer, and (ii) the subordinate promissory note issued to secure the District's reimbursement obligation for the public improvements constructed by the developer under the Improvement Acquisition and Reimbursement Agreement." At December 31, 2018, the District's indebtedness to the Developer is \$2,230,131 in operating and capital note principal, and \$37,668 in accrued interest.

NOTE 7: 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 natural disasters.

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 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 the past three years.

The District pays annual premiums to the Pool for liability, property, and public officials' 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 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.

COALTON METROPOLITAN DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 8: COMMITMENTS AND CONTINGENCIES

TABOR Amendment

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

The District has established an emergency reserve, representing 3% of fiscal year spending (excluding debt service), as required by the Amendment. At December 31, 2018, the emergency reserve of \$900 was recorded as a restriction of fund balance in the General Fund.

NOTE 9: DEBT AUTHORIZATION

On November 2, 2010, a majority of the qualified electors of the District authorized the issuance of general indebtedness as follows:

- An amount not to exceed \$18,500,000 for providing street improvements; and
- An amount not to exceed \$18,500,000 for mortgages, liens, and other encumbrances; and
- An amount not to exceed \$5,000,000 each for parks and recreation, water, sanitation, transportation, mosquito control, safety protection, fire protection, television relay and translation, security, operations and maintenance debt, and intergovernmental agreements as debt; and
- An amount not to exceed \$47,000,000 for refunding bonds; and
- An amount not to exceed \$23,500,000 for private entity reimbursement agreements; and
- An amount not to exceed \$23,500,000 for construction management agreements
- An amount not to exceed \$5,000,000 for the service plan

As of December 31, 2018, the amount of debt authorized but unissued was \$5,000,000.

COALTON METROPOLITAN DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018

NOTE 10: DEFICIT NET POSITION

As of December 31, 2018, the District had a government-wide net position deficit of \$136,798. This deficit was created as the District used loan proceeds and accrued interest from the Developer to construct capital assets.

REQUIRED SUPPLEMENTAL INFORMATION

COALTON METROPOLITAN DISTRICT

GENERAL FUND
 BUDGETARY COMPARISON SCHEDULE
 Year Ended December 31, 2018

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES			
Taxes	\$ 28,459	\$ 28,015	\$ (444)
TOTAL REVENUES	<u>28,459</u>	<u>28,015</u>	<u>(444)</u>
EXPENDITURES			
Current			
General Government			
Accounting and Administration	11,000	10,998	2
District Management	18,540	17,930	610
District Engineer	1,000	-	1,000
Elections	1,500	1,161	339
Insurance	2,243	2,251	(8)
Legal Expenses	10,000	9,625	375
Operations and Maintenance	15,000	4,865	10,135
Utilities	3,000	650	2,350
Office, Dues and Other	2,077	2,671	(594)
Contingency	1,000	-	1,000
TOTAL EXPENDITURES	<u>65,360</u>	<u>50,151</u>	<u>15,209</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(36,901)</u>	<u>(22,136)</u>	<u>14,765</u>
OTHER FINANCING SOURCES			
Developer Advances	<u>39,273</u>	<u>22,372</u>	<u>(16,901)</u>
TOTAL OTHER FINANCING SOURCES	<u>39,273</u>	<u>22,372</u>	<u>(16,901)</u>
NET CHANGE IN FUND BALANCE	2,372	236	(2,136)
FUND BALANCE, Beginning, Restated	<u>5,108</u>	<u>9,928</u>	<u>4,820</u>
FUND BALANCE, Ending	<u>\$ 7,480</u>	<u>\$ 10,164</u>	<u>\$ 2,684</u>

See the accompanying independent auditors' report.

INDIVIDUAL FUND SCHEDULES

COALTON METROPOLITAN DISTRICT

CAPITAL PROJECTS FUND
 BUDGETARY COMPARISON SCHEDULE
 Year Ended December 31, 2018

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES			
Other	\$ -	\$ -	\$ -
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES			
Current			
General Government			
Accounting and Administration	20,000	23,597	(3,597)
Capital Outlay	<u>4,000,000</u>	<u>2,143,162</u>	<u>1,856,838</u>
TOTAL EXPENDITURES	<u>4,020,000</u>	<u>2,166,759</u>	<u>1,853,241</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(4,020,000)</u>	<u>(2,166,759)</u>	<u>1,853,241</u>
OTHER FINANCING SOURCES			
Proceeds from Developer Advances	<u>4,020,000</u>	<u>2,166,759</u>	<u>(1,853,241)</u>
TOTAL OTHER FINANCING SOURCES	<u>4,020,000</u>	<u>2,166,759</u>	<u>(1,853,241)</u>
NET CHANGE IN FUND BALANCE	-	-	-
FUND BALANCE, Beginning	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See the accompanying independent auditors' report.