

**ELBERT AND HIGHWAY 86 COMMERCIAL  
METROPOLITAN DISTRICT  
Elbert County, Colorado**

**FINANCIAL STATEMENTS  
December 31, 2017**

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# SCHILLING & COMPANY, INC.

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## **Independent Auditor's Report**

Board of Directors  
Elbert and Highway 86 Commercial  
Metropolitan District  
Elbert County, Colorado

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of Elbert and Highway 86 Commercial Metropolitan District (District) as of and for the year ended December 31, 2017, 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, the business-type activities and each major fund of Elbert and Highway 86 Commercial Metropolitan District, as of December 31, 2017, and the respective changes in financial position and where applicable, cash flows 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*

Management has omitted 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 on the basic financial statements is not affected by this missing information.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and are not a required part of the financial statements.

The supplementary information is the responsibility of management and was derived from and relate 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

The other information listed in the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*SCHILLING & COMPANY, INC.*

Highlands Ranch, Colorado  
May 4, 2018

## **BASIC FINANCIAL STATEMENTS**

**ELBERT AND HIGHWAY 86 COMMERCIAL METROPOLITAN DISTRICT**  
**STATEMENT OF NET POSITION**  
**December 31, 2017**

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and investments	\$ 92,482	\$ 178,988	\$ 271,470
Cash and investments - Restricted	205,548	-	205,548
Prepaid expense	1,730	6,921	8,651
Receivable - County Treasurer	325	-	325
Accounts receivable	-	27,296	27,296
PIF receivable	154,207	-	154,207
Property taxes receivable	16,635	-	16,635
Capital assets, not being depreciated	953,100	-	953,100
Capital assets, net	<u>1,371,453</u>	<u>4,119,974</u>	<u>5,491,427</u>
Total assets	<u>2,795,480</u>	<u>4,333,179</u>	<u>7,128,659</u>
<b>LIABILITIES</b>			
Accounts payable	116,360	88,762	205,122
Due to other governments	-	124,443	124,443
Accrued interest payable	1,844,865	-	1,844,865
Noncurrent liabilities:			
Due within one year	885,000	-	885,000
Due in more than one year	<u>20,246,682</u>	<u>-</u>	<u>20,246,682</u>
Total liabilities	<u>23,092,907</u>	<u>213,205</u>	<u>23,306,112</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property tax revenue	16,635	-	16,635
Water service agreement	-	1,560,000	1,560,000
Total deferred inflows of resources	<u>16,635</u>	<u>1,560,000</u>	<u>1,576,635</u>
<b>NET POSITION</b>			
Net investment in capital assets	(488,389)	4,119,974	3,631,585
Restricted for:			
Emergency reserves	1,100	-	1,100
Unrestricted	<u>(19,826,773)</u>	<u>(1,560,000)</u>	<u>(21,386,773)</u>
Total net position	<u>\$ (20,314,062)</u>	<u>\$ 2,559,974</u>	<u>\$ (17,754,088)</u>

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**ELBERT AND HIGHWAY 86 COMMERCIAL METROPOLITAN DISTRICT**  
**STATEMENT OF ACTIVITIES**  
Year Ended December 31, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 142,761	\$ -	\$ -	\$ -	\$ (142,761)	\$ -	\$ (142,761)
Interest and fees on long-term debt	2,081,449	-	-	-	(2,081,449)	-	(2,081,449)
Total governmental activities	<u>2,224,210</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,224,210)</u>	<u>-</u>	<u>(2,224,210)</u>
Business-type activities:							
Water resources	660,244	153,137	-	257,221	-	(249,886)	(249,886)
Total business-type activities	<u>660,244</u>	<u>153,137</u>	<u>-</u>	<u>257,221</u>	<u>-</u>	<u>(249,886)</u>	<u>(249,886)</u>
Total primary government	<u>\$ 2,884,454</u>	<u>\$ 153,137</u>	<u>\$ -</u>	<u>\$ 257,221</u>	<u>(2,224,210)</u>	<u>(249,886)</u>	<u>(2,474,096)</u>
General revenues:							
Property taxes					16,656	-	16,656
Specific ownership tax					3,353	-	3,353
PIF revenue					1,445,424	-	1,445,424
Road maintenance fee					13,260	-	13,260
Other revenue					57	-	57
Net investment income					2,203	-	2,203
Transfers					1,594,046	(1,594,046)	-
Total general revenues and transfers					<u>3,074,999</u>	<u>(1,594,046)</u>	<u>1,480,953</u>
Change in net position					850,789	(1,843,932)	(993,143)
Net position - Beginning					<u>(21,164,851)</u>	<u>4,403,906</u>	<u>(16,760,945)</u>
Net position - Ending					<u>\$ (20,314,062)</u>	<u>\$ 2,559,974</u>	<u>\$ (17,754,088)</u>

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**ELBERT AND HIGHWAY 86 COMMERCIAL METROPOLITAN DISTRICT**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**December 31, 2017**

	<b>General</b>	<b>Debt Service</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>			
Cash and investments	\$ 92,482	\$ -	\$ 92,482
Cash and investments - Restricted	1,100	204,448	205,548
Prepaid expense	1,730	-	1,730
Receivable - County Treasurer	325	-	325
PIF receivable	-	154,207	154,207
Property taxes receivable	16,635	-	16,635
Total assets	\$ 112,272	\$ 358,655	\$ 470,927
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 3,047	\$ 113,313	\$ 116,360
Total liabilities	3,047	113,313	116,360
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property tax revenue	16,635	-	16,635
Total deferred inflows of resources	16,635	-	16,635
<b>FUND BALANCES</b>			
Nonspendable:			
Prepaid amounts	1,730	-	1,730
Restricted for:			
Emergency reserves	1,100	-	1,100
Debt service	-	245,342	245,342
Assigned to:			
Subsequent year's expenditures	2,440	-	2,440
Unassigned:			
Total fund balances	92,590	245,342	337,932
Total liabilities, deferred inflows of resources and fund balances	\$ 112,272	\$ 358,655	

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.	2,324,553
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Bonds payable	(13,475,000)
Accrued interest on bonds	(1,844,865)
Developer advance payable	(5,277,945)
Accrued interest on Developer advance payable	(2,378,737)
Net position of governmental activities	\$ (20,314,062)

These financial statements should be read only in connection with  
the accompanying notes to financial statements.



**ELBERT AND HIGHWAY 86 COMMERCIAL METROPOLITAN DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - GOVERNMENTAL FUNDS**  
**Year Ended December 31, 2017**

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Property taxes	\$ 16,656	\$ -	\$ 16,656
Specific ownership tax	3,353	-	3,353
Road maintenance fee	13,260	-	13,260
Other revenue	57	-	57
PIF revenue	-	1,445,424	1,445,424
Net investment income	130	2,073	2,203
Total revenues	<u>33,456</u>	<u>1,447,497</u>	<u>1,480,953</u>
<b>EXPENDITURES</b>			
General			
Accounting	12,553	-	12,553
Audit	2,150	-	2,150
County Treasurer's fee	500	-	500
Dues and memberships	779	-	779
Insurance and bonds	2,959	-	2,959
District management	4,784	-	4,784
Legal	3,634	-	3,634
Repay Developer advance	1,507,956	-	1,507,956
Miscellaneous	324	-	324
Engineering	140	-	140
PIF revenue payment to Town of Elizabeth	-	578,170	578,170
Debt service			
Bond interest	-	845,055	845,055
Paying agent fees	-	1,665	1,665
Total expenditures	<u>1,535,779</u>	<u>1,424,890</u>	<u>2,960,669</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(1,502,323)</u>	<u>22,607</u>	<u>(1,479,716)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers from (to) other funds	<u>1,594,046</u>	<u>-</u>	<u>1,594,046</u>
Total other financing sources (uses)	<u>1,594,046</u>	<u>-</u>	<u>1,594,046</u>
<b>NET CHANGE IN FUND BALANCES</b>	91,723	22,607	114,330
<b>FUND BALANCES - BEGINNING OF YEAR</b>	867	222,735	223,602
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 92,590</u>	<u>\$ 245,342</u>	<u>\$ 337,932</u>

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**ELBERT AND HIGHWAY 86 COMMERCIAL METROPOLITAN DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended December 31, 2017**

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

Net changes in fund balances - Total governmental funds	\$	114,330
<p>Governmental funds report capital outlays as expenditures. In the statement of activities, capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense the allocation of the cost of any depreciable asset over the estimated useful life of the asset.</p>		
Depreciation		(114,938)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of long-term debt and related items is as follows:</p>		
Developer advance repayment - Principal		856,044
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Accrued interest on bonds - Change in liability		(283,164)
Accrued interest on Developer advances - Change in liability		278,517
		278,517
Change in net position of governmental activities	\$	850,789

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**ELBERT AND HIGHWAY 86 COMMERCIAL METROPOLITAN DISTRICT  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
Year Ended December 31, 2017**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Property taxes	\$ 16,656	\$ 16,656	\$ 16,656	\$ -
Specific ownership tax	2,830	3,000	3,353	353
Net investment income	-	100	130	30
Road maintenance fee	13,260	13,260	13,260	-
Other revenue	2,500	2,500	57	(2,443)
Total revenues	<u>35,246</u>	<u>35,516</u>	<u>33,456</u>	<u>(2,060)</u>
<b>EXPENDITURES</b>				
Current				
Accounting	6,000	13,000	12,553	447
Audit	2,100	2,150	2,150	-
Dues and memberships	600	779	779	-
County Treasurer's fee	500	500	500	-
Insurance and bonds	2,700	2,704	2,959	(255)
District management	3,200	5,000	4,784	216
Legal	5,000	5,000	3,634	1,366
Miscellaneous	500	500	324	176
Engineering	2,500	2,500	140	2,360
Repay Developer advance	8,000	1,507,956	1,507,956	-
Contingency	3,900	9,911	-	9,911
Total expenditures	<u>35,000</u>	<u>1,550,000</u>	<u>1,535,779</u>	<u>14,221</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>246</u>	<u>(1,514,484)</u>	<u>(1,502,323)</u>	<u>12,161</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Developer advances				
Transfers from (to) other funds	-	1,594,046	1,594,046	-
Total other financing sources (uses)	<u>-</u>	<u>1,594,046</u>	<u>1,594,046</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	246	79,562	91,723	12,161
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>1,149</u>	<u>867</u>	<u>867</u>	<u>-</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 1,395</u>	<u>\$ 80,429</u>	<u>\$ 92,590</u>	<u>\$ 12,161</u>

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**ELBERT AND HIGHWAY 86 COMMERCIAL METROPOLITAN DISTRICT**  
**STATEMENT OF NET POSITION**  
**WILD POINTE WATER ACTIVITY ENTERPRISE FUND**  
**December 31, 2017**

**ASSETS**

Current assets:

Cash and cash equivalents	\$ 178,988
Accounts receivable	27,296
Prepaid insurance	6,921
Total current assets	213,205

Noncurrent assets:

Capital assets, net of accumulated depreciation:

Water lines	1,974,283
Water wells	595,988
Reservoir	819,513
Pump house	729,866
Water meter system	324
Total capital assets, net	4,119,974

**TOTAL ASSETS**

**\$ 4,333,179**

**LIABILITIES**

Current liabilities:

Accounts payable	\$ 88,762
Due to other governments	124,443
Total current liabilities	213,205

**DEFERRED INFLOWS OF RESOURCES**

Water service agreement	1,560,000
Total deferred inflows of resources	1,560,000

**NET POSITION**

Net investment in capital assets	4,119,974
Unrestricted	(1,560,000)
Total net position	2,559,974

**TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES  
AND NET POSITION**

**\$ 4,333,179**

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**ELBERT AND HIGHWAY 86 COMMERCIAL METROPOLITAN DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
WILD POINTE WATER ACTIVITY ENTERPRISE FUND  
Year Ended December 31, 2017**

**OPERATING REVENUES**

Water revenue	\$ 153,137
Total operating revenues	153,137

**OPERATING EXPENSES**

Accounting	23,083
Audit	2,150
District management	8,766
Engineering	325
Legal	6,029
Insurance and bonds	5,022
Utilities	42,878
Water operations	36,792
Water service agreement payment	395,738
Depreciation	139,461
Total operating expenses	660,244

<b>OPERATING INCOME (LOSS)</b>	<b>(507,107)</b>
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**NONOPERATING REVENUES (EXPENSES)**

Transfers (to) governmental funds	(1,594,046)
Total nonoperating revenues (expenses)	(1,594,046)

**CAPITAL CONTRIBUTIONS**

Water tap fees	217,221
Other revenue	40,000
Total capital contributions	257,221

<b>CHANGE IN NET POSITION</b>	<b>(1,843,932)</b>
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<b>NET POSITION - BEGINNING OF YEAR</b>	<b>4,403,906</b>
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<b>NET POSITION - END OF YEAR</b>	<b>\$ 2,559,974</b>
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These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**ELBERT AND HIGHWAY 86 COMMERCIAL METROPOLITAN DISTRICT  
STATEMENT OF CASH FLOWS  
WILD POINTE WATER ACTIVITY ENTERPRISE FUND  
Year Ended December 31, 2017**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Receipts from customers	\$ 134,301
Payments to suppliers	<u>(343,556)</u>
Net cash required by operating activities	<u>(209,255)</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Transfer (to) Governmental Funds	<u>(1,594,046)</u>
Net cash required by noncapital financing activities	<u>(1,594,046)</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Water tap fees	217,221
Water service agreement	<u>1,600,000</u>
Net cash provided by capital and related financing activities	<u>1,817,221</u>

**NET INCREASE IN CASH AND CASH EQUIVALENTS**

13,920

**CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR**

165,068

**CASH AND CASH EQUIVALENTS - END OF YEAR**

\$ 178,988

**Reconciliation of operating income (loss) to net cash provided  
(required) by operating activities**

Operating income (loss)	\$ (507,107)
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Adjustments to reconcile operating income (loss) from operations to  
net cash provided (required) by operating activities

Depreciation	139,461
Net increase (decrease) in due to other governments	124,443
Net (increase) decrease in accounts receivable	(18,836)
Net (increase) decrease in prepaid insurance	(6,921)
Net increase (decrease) in accounts payable	<u>59,705</u>

Net cash provided by operating activities	<u><u>\$ (209,255)</u></u>
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These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**ELBERT AND HIGHWAY 86 COMMERCIAL METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 1 - DEFINITION OF REPORTING ENTITY**

Elbert and Highway 86 Commercial Metropolitan District (District), a quasi-municipal corporation and political subdivision of the State of Colorado, was organized as Elbert and Highway 86 Water District by order of the District Court of Elbert County on November 26, 2002, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). In accordance with its Service Plan, the District was formed to provide financing for the construction, acquisition and installation of water facilities and improvements in its service area within Elbert County. The District also provides water services to Elbert and Highway 86 Metropolitan District. During 2004, the District amended its Service Plan to allow it to construct, acquire, finance, operate and maintain certain public improvements including streets, traffic and safety controls, street lighting, water, sanitary sewer, landscaping, storm drainage, television relay, and mosquito control facilities and improvements for the District's commercial development, in addition to the water services and facilities outlined in its original Service Plan.

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens, and fiscal dependency.

The District is not financially accountable for any other organization, including Elbert and Highway 86 Metropolitan District, nor is the District a component unit of any other primary governmental entity.

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The more significant accounting policies of the District are described as follows:

**Government-wide and Fund Financial Statements**

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District. The effect of interfund activity has been removed from these statements. Both statements distinguish between governmental activities, which normally are supported by taxes and intergovernmental revenues, and business-type activities, which rely to a significant extent on fees and charges for support.

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

**ELBERT AND HIGHWAY 86 COMMERCIAL METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

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

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

Separate financial statements are provided for the governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise 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 and proprietary fund are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue subject to accrual are PIF revenue and property taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. The District determined that Developer advances are not considered as revenue susceptible to accrual. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is due.

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 general government, except those required to be accounted for in another fund.

The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term debt of the governmental funds.

The District reports the following major proprietary fund:

Wild Pointe Water Activity Enterprise Fund is used to account for all financial resources related to the Wild Pointe Water Project.



**ELBERT AND HIGHWAY 86 COMMERCIAL METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating revenues consist of charges to customers for services provided. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions.

**Budgets**

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures and other financing uses level and lapses at year end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

This District has amended its annual budget for the year ended December 31, 2017.

**Pooled Cash and Investments**

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a single bank account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility.

Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash.

**Cash Equivalents**

For purposes of the statement of cash flows, the District considers cash deposits and highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

**Interfund Balances**

The District reports interfund balances that are representative of lending/borrowing arrangements between funds in the fund financial statements as due to/from other funds (current portion of interfund loans) or advances to/from other funds (long-term portion of interfund loans). The interfund balances have been eliminated in the government-wide statements except for the residual balances between the governmental activities and business-type activities, which are reported as internal balances.

**ELBERT AND HIGHWAY 86 COMMERCIAL METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

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

**Property Taxes**

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April 30 or, if in equal installments, at the taxpayer's election in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

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

Per a Memorandum of Mill Levy Cap dated August 7, 2007, the District has agreed that WalMart, which is the major owner of the property within the District, will not be subject to a mill levy in excess of 5.000 mills.

**Capital Assets**

Capital assets, which include water rights, water system facilities and street and storm drainage improvements, are reported in the governmental activities or the business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Capital assets which are anticipated to be conveyed to other governmental entities are recorded as construction in process, and are not included in the calculation of net investment in capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements that will be dedicated to other governmental entities are not depreciated. Improvements to be owned by the District are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Depreciation expense has been computed using the straight-line method over the estimated economic useful lives:

Water pipelines	50 years
Water wells	50 years
Reservoir	35 years
Pump houses	30 years
Water meter system	10 years
Streets/parking lots	20 years
Storm drainage	25 years

**ELBERT AND HIGHWAY 86 COMMERCIAL METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

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

The cost of water rights includes acquisition cost, legal and engineering costs related to the development and augmentation of those rights. Since the rights have a perpetual life, they are not amortized. All other costs, including costs incurred for the protection of those rights, are expensed.

**Service Charges and Fees**

A water tap fee is charged against property within the District and Elbert and Highway 86 Metropolitan District. The water tap fee is due at the time of issuance of a building permit. The water tap fee constitutes a statutory perpetual lien upon the property until paid.

The District imposes water service fees and charges for all property located within the District and within Elbert and Highway 86 Metropolitan District to help defray the costs of those services provided by the District.

Pursuant to the Maintenance Agreement between RLF Wild Pointe Properties, LLC and the District entered into on August 30, 2016, the commercial property owners are to pay an annual road maintenance fee to the District toward the cost of maintaining, repairing and replacing the road. The initial fee of \$2,600 per lot is due and payable on or before January 1st and shall increase by 2% every year for the first 20 years of this agreement.

**Deferred Inflow of Resources**

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. Accordingly, the items, *property tax revenue and water service agreement*, are deferred and recognized as an inflow of resources in the period that the amount becomes available.

**Fund Balance**

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

- *Nonspendable fund balance* – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.
- *Restricted fund balance* – The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.

**ELBERT AND HIGHWAY 86 COMMERCIAL METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

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

- *Committed fund balance* – The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.
- *Assigned fund balance* – The portion of fund balance that is constrained by the government’s intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.
- *Unassigned fund balance* – The residual portion of fund balance that does not meet any of the criteria described above.

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

**NOTE 3 - CASH AND INVESTMENTS**

Cash and investments as of December 31, 2017, are classified in the accompanying financial statements as follows:

Cash and investments	\$ 271,470
Cash and investments – Restricted	<u>205,548</u>
Total cash and investments	<u>\$ 477,018</u>

Cash and investments as of December 31, 2017, consist of the following:

Deposits with financial institutions	\$ 181,883
Investments	<u>295,135</u>
Total cash and investments	<u>\$ 477,018</u>

**Deposits with Financial Institutions**

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 102% of the aggregate uninsured deposits.

**ELBERT AND HIGHWAY 86 COMMERCIAL METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

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

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

At December 31, 2017, the District's cash deposits had a bank balance of \$193,500 and a carrying balance of \$181,883.

**Investments**

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments.

The District generally limits its concentration of investments to those noted with an asterisk (\*) below, which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk or investment custodial risk disclosure requirements for investments that are in the possession of another party.

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

- . Obligations of the United States, certain U.S. government agency securities and securities of the World Bank
- . General obligation and revenue bonds of U.S. local government entities
- . Certain certificates of participation
- . Certain securities lending agreements
- . Bankers' acceptances of certain banks
- . Commercial paper
- . Written repurchase agreements and certain reverse repurchase agreements collateralized by certain authorized securities
- . Certain money market funds
- . Guaranteed investment contracts
- \* Local government investment pools

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

<b>Investment</b>	<b>Maturity</b>	<b>Amount</b>
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted average under 60 days	\$ 129,187
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted average under 60 days	165,948
		<u>\$ 295,135</u>

**ELBERT AND HIGHWAY 86 COMMERCIAL METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

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

**CSAFE**

The District invested in the Colorado Surplus Asset Fund Trust (CSAFE) (the Trust), which is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust is similar to a money market fund, with each share valued at \$1.00. CSAFE may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain money market funds and highest rated commercial paper. A designated custodial bank serves as custodian for CSAFE's portfolio pursuant to a custodian agreement. The custodian acts as safekeeping agent for CSAFE's investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by CSAFE. CSAFE is rated AAAM by Standard & Poor's. CSAFE records its investments at amortized cost and the District records its investments in CSAFE using the amortized cost method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

**COLOTRUST**

The District invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and any security allowed under CRS 24-75-601. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. COLOTRUST is rated AAAM by Standard & Poor's. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

**ELBERT AND HIGHWAY 86 COMMERCIAL METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

**NOTE 4 - CAPITAL ASSETS**

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

	<u>Balance at December 31, 2016</u>	<u>Additions</u>	<u>Transfers/ Retirements</u>	<u>Balance at December 31, 2017</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated				
Water rights	\$ 953,100	\$ -	\$ -	\$ 953,100
Total capital assets, not being depreciated	<u>953,100</u>	<u>-</u>	<u>-</u>	<u>953,100</u>
Capital assets, being depreciated				
Storm drainage	735,634	-	-	735,634
Streets	1,710,254	-	-	1,710,254
Total capital assets, being depreciated	<u>2,445,888</u>	<u>-</u>	<u>-</u>	<u>2,445,888</u>
Less accumulated depreciation for:				
Storm drainage	(147,125)	(29,425)	-	(176,550)
Streets	(812,372)	(85,513)	-	(897,885)
Total accumulated depreciation	<u>(959,497)</u>	<u>(114,938)</u>	<u>-</u>	<u>(1,074,435)</u>
Total capital assets, being depreciated, net	<u>1,486,391</u>	<u>(114,938)</u>	<u>-</u>	<u>1,371,453</u>
Governmental activities - Capital assets, net	<u>\$ 2,439,491</u>	<u>\$ (114,938)</u>	<u>\$ -</u>	<u>\$ 2,324,553</u>

**ELBERT AND HIGHWAY 86 COMMERCIAL METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 4 - CAPITAL ASSETS (CONTINUED)**

	Balance at December 31, 2016	Transfers/ Additions	Retirements	Balance at December 31, 2017
<b>Business-type activities:</b>				
Capital assets, being depreciated				
Water lines	\$ 2,439,013	\$ -	\$ -	\$ 2,439,013
Water wells	779,514	-	-	779,514
Reservoir	1,166,854	-	-	1,166,854
Pump house	1,236,544	-	-	1,236,544
Water meter system	39,159	-	-	39,159
Total capital assets, being depreciated	5,661,084	-	-	5,661,084
Less accumulated depreciation for:				
Water lines	(415,950)	(48,780)	-	(464,730)
Water wells	(167,936)	(15,590)	-	(183,526)
Reservoir	(314,002)	(33,339)	-	(347,341)
Pump house	(465,460)	(41,218)	-	(506,678)
Water meter system	(38,301)	(534)	-	(38,835)
Total accumulated depreciation	(1,401,649)	(139,461)	-	(1,541,110)
Total capital assets, being depreciated, net	4,259,435	(139,461)	-	4,119,974
Business-type activities - Capital assets, net	\$ 4,259,435	\$ (139,461)	\$ -	\$ 4,119,974

Depreciation expense was charged to functions/programs of the District as follows:

**Governmental Activities:**

General government	\$ 114,938
Total depreciation expense - Governmental activities	\$ 114,938

**Business-type Activities:**

Water	\$ 139,461
Total depreciation expense - Business-type activities	\$ 139,461



**ELBERT AND HIGHWAY 86 COMMERCIAL METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 5 - LONG-TERM OBLIGATIONS**

The following is an analysis of changes in long-term obligations for the year ended December 31, 2017:

	<u>Balance at December 31, 2016</u>	<u>Additions</u>	<u>Retirements/ Adjustments</u>	<u>Balance at December 31, 2017</u>	<u>Due within One Year</u>
PIF Revenue bonds	\$ 13,475,000	\$ -	\$ -	\$ 13,475,000	\$ 885,000
Developer advance - RLF Wild Pointe Properties	6,133,989	-	856,044	5,277,945	-
Accrued interest - RLF Wild Pointe Properties	2,657,254	373,395	651,912	2,378,737	-
	<u>\$ 22,266,243</u>	<u>\$ 373,395</u>	<u>\$ 1,507,956</u>	<u>\$ 21,131,682</u>	<u>\$ 885,000</u>

The details of the District's long-term obligations are as follows:

**PIF Revenue Bonds - Series 2008**

On July 29, 2008, the District issued \$15,000,000 of Public Improvement Fee Revenue Bonds, Series 2008A (the 2008 Bonds). The proceeds from the sale of the 2008 Bonds were used for the purposes of: (a) financing the design, acquisition, construction, completion, installation, relocation and provision of certain public improvements and facilities; (b) funding the Reserve Fund; (c) providing capitalized interest for the payment of a portion of the interest on the 2008 Bonds; and (d) paying the costs of issuance of the 2008 Bonds.

The 2008 Bonds bear interest at 7.50%, per annum payable semi-annually on June 1 and December 1. Annual mandatory sinking fund principal payments are due on December 1 of each year. The 2008 Bonds mature on December 1, 2032. The 2008 Bonds are subject to redemption prior to maturity, at the option of the District, on December 1, 2018, and on any date thereafter, upon payment of par plus accrued interest, without redemption premium.

The Bonds are subject to extraordinary redemption from monies remaining in the restricted account of the project fund as of October 1, 2011. An extraordinary redemption of \$1,245,000 was paid on December 1, 2011.

The 2008 Bonds are special limited revenue obligations of the District secured by and payable from Pledged Revenue, consisting of: (a) the Pledged PIF Revenues, consisting of the public improvement fees received by the District pursuant to the PIF Covenant and the PIF Collection Agreement; and (b) any other legally available monies that the District determines to credit to the Revenue Fund. The 2008 Bonds are also secured by a Reserve Fund in the required amount of \$1,500,000. Additionally, under certain circumstances, moneys accumulated in the Surplus Fund, if any, will be used to pay the 2008 Bonds. The balance in the Reserve Fund at December 31, 2017, was \$0-

**ELBERT AND HIGHWAY 86 COMMERCIAL METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

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

Pledged Revenue not required for the Bond Fund or the Reserve Fund shall be credited to the Surplus Fund in a maximum amount of \$800,000. The District shall have no obligation to fund the Surplus Fund in any amount. For so long as the Surplus Fund is in existence, monies therein shall be used: (i) to prevent a failure to make the payment of the principal of or interest on the 2008 Bonds when due, or (ii) to fund the payment or defeasance of all of the then outstanding 2008 Bonds. The Surplus Fund is pledged to the payment of the 2008 Bonds, and is not be used or pledged to the payment of any other obligations, including, without limitation, any Parity Obligations or Subordinate Obligations.

The Surplus Fund shall be maintained by the Trustee until such time as the average annual PIF Revenues for the most recent 12-month period is equal to 1.35 times the average annual principal and interest on the 2008 Bonds as of the Issue Date, whereupon all amounts then on deposit in the Surplus Fund not needed to pay current debt service on the 2008 Bonds shall be remitted to the District to be used for any lawful purpose, and the Surplus Fund shall thereupon be terminated. The balance in the Surplus Fund at December 31, 2017, was \$-0-.

Until additional commercial development occurs within the District to generate increased PIF revenues, the District anticipates that Pledged Revenue in future years will not be sufficient to pay when due the entire amount of debt service on the Bonds.

In 2017, the following information was posted as part of material event notices posted on the Electronic Municipal Market Access (EMMA) website:

“For the June 1, 2017, debt service payment, the District had pledged revenues available of \$408,055. The interest payment due on June 1, 2017 was \$505,312.50.”

“For the December 1, 2017, debt service payment, the District had pledged revenues available of \$437,000. The interest payment due on December 1, 2017, was \$505,312.50.”

As of December 1, 2017, the balance of the compounded accrued unpaid interest was \$1,749,711 and the accumulated unpaid principal of \$470,000 was added to the scheduled principal payment due in 2018.

**ELBERT AND HIGHWAY 86 COMMERCIAL METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

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

The District's long-term debt will mature as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 885,000	\$ 975,375	\$ 1,860,375
2019	460,000	944,250	1,404,250
2020	510,000	909,750	1,419,750
2021	560,000	871,500	1,431,500
2022	620,000	829,500	1,449,500
2023-2027	4,105,000	3,354,375	7,459,375
2028-2032	6,335,000	1,506,000	7,841,000
	<u>\$ 13,475,000</u>	<u>\$ 9,390,750</u>	<u>\$ 22,865,750</u>

**Developer Advance and Reimbursement Agreements**

Wild Pointe Partners, Inc. (Wild Pointe) and Shops East, LLC (Shops East), collectively "the Developer", are related entities.

During 2012, the Developer assigned its rights to payment under the advance and reimbursement agreements to RLF Wild Pointe Properties, LLC (New Developer). At the same time, the New Developer entered into an advance and reimbursement agreement with the District, for which the District agreed to reimburse the New Developer for advances, together with interest at the rate of seven percent (7%) per annum. The District will make payments for the advances, subject to annual appropriation and budget approval, from funds available within any fiscal year and not otherwise required for operations, capital improvements and debt service costs and expenses of the District. This reimbursement obligation is subordinate to any District bonded indebtedness.

On August 30, 2016, the District and Elbert & Highway 86 Metro District (MD), collectively the Districts, and the New Developer entered into the Advance and Reimbursement Agreement. Pursuant to the agreement, upon the request for an advance, the Districts shall provide substantiation of the need for such advances. Such advances shall not exceed the total aggregate amount of \$100,000 in any given fiscal year without prior written authorization. Furthermore, such advances shall not be used for the payment of any debt or long-term financial obligations, but shall be for operations, maintenance and administrative purposes only. Should the Districts desire funding for capital purposes, the parties must agree in advance to those funding requirements and shall further agree to such terms in writing. In addition, The Districts and the New Developer acknowledge prior advances and the obligation of the Districts to repay, subject to annual appropriation and the budget approval. The obligation of the Districts to repay the outstanding advances is a joint and several obligation, regardless of whether an advance was or is made only to one of the Districts.

**ELBERT AND HIGHWAY 86 COMMERCIAL METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

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

In July 2016, an appraisal on the valuation of the Arapahoe and Denver Aquifer groundwater was completed. Based on the appraisal report, as of the effective date of May 31, 2007, the estimated market value of the first use of the groundwater is \$953,100. These water rights were deeded from the Developer to the District on May 31, 2007 without an appraisal. Therefore, the appraised value of \$953,100 was added to the outstanding Developer advances during 2016.

As of December 31, 2017, total New Developer advances issued and payable under the District was \$5,277,945 and accrued interest payable was \$2,378,737. Total advances issued and payable under the MD was \$105,961 and accrued interest payable was \$9,287 through December 31, 2017.

**Debt Authorization**

On November 5, 2002, the District's voters authorized the issuance of indebtedness in an amount not to exceed \$4,656,500 at an interest rate not to exceed 18%. On November 2, 2004, the District's voters authorized an additional indebtedness in an amount not to exceed \$30,050,000 at an interest rate not to exceed 18%. As of December 31, 2017, the District had authorized but unissued indebtedness allocated for following purposes:

	<b>November 5, 2002 Authorization</b>	<b>November 2, 2004 Authorization</b>	<b>Authorization Used</b>	<b>Remaining Authorization</b>
Street improvements	\$ -	\$ 4,139,017	\$ (4,139,017)	\$ -
Storm sewer/surface drainage	-	811,662	(811,662)	-
Water system	2,300,000	5,119,761	(5,119,761)	2,300,000
Sanitary sewer	-	4,929,560	(4,929,560)	-
Debt refunding	2,300,000	15,000,000	-	17,300,000
Operations and maintenance	56,500	50,000	-	106,500
	<u>\$ 4,656,500</u>	<u>\$ 30,050,000</u>	<u>\$ (15,000,000)</u>	<u>\$ 19,706,500</u>

Pursuant to the District's amended service plan, the District's maximum allowable indebtedness is \$45,000,000.

**ELBERT AND HIGHWAY 86 COMMERCIAL METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 6 - NET POSITION**

The District has net position consisting of three components – net investment in capital assets, restricted, and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2017, the District had net investment in capital assets calculated as follows:

	<b>Governmental Activities</b>	<b>Business- type Activities</b>
Net investment in capital assets:		
Capital assets, net	\$ 2,324,553	\$ 4,119,974
Less: capital related debt		
Noncurrent portion of long-term obligations	(2,812,942)	-
Net investment in capital assets	\$ (488,389)	\$ 4,119,974

The restricted component of net position includes assets that are restricted for use either externally by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had a restricted net position at December 31, 2017, as follows:

	<b>Governmental Activities</b>
Restricted net position:	
Emergency reserves	\$ 1,100
Total restricted net position	\$ 1,100

The District has a deficit in unrestricted net position. The deficit is a result of the District being responsible for the repayment of bonds issued for public improvements which were conveyed to other governmental entities and which costs were removed from the District's financial records.

**NOTE 7 - RELATED PARTY**

Collectively, Wild Pointe Partners, Inc., Shops East, LLC, Shops at Wild Pointe and Elbert and Hwy 86 LLC are related parties and are referred to as the Developers. RLF Wild Pointe Properties, LLC is referred to as the New Developer. In addition, two members of the Board of Directors are from Rangeview Metropolitan District, referred to as the Provider (Water Service Agreement).

The majority of the members of the Board of Directors of the District are employees of, owners of, or associated with the Developers, New Developer, and Provider and may have conflicts of interest in dealing with the District. See Note 5 concerning advances made by the Developers and New Developer.

**ELBERT AND HIGHWAY 86 COMMERCIAL METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

**NOTE 8 - INTERGOVERNMENTAL AGREEMENTS**

**Town of Elizabeth**

On January 10, 2006, and as amended on March 28, 2006, and February 13, 2007, the District entered into an intergovernmental agreement with the Town of Elizabeth (Town) and with Elbert and Hwy 86, LLC (Elbert) regarding sanitary sewer service to the commercial property within the District that is owned by the Developers.

The District shall construct a sanitary sewer line, as well as a lift station and force main, with sufficient capacity to carry wastewater flows from the commercial property to the Town's wastewater treatment facilities. During 2007, construction was completed and these sewer improvements were dedicated to the Town for ownership, operation and maintenance, and the Town shall provide sanitary sewer service to the commercial property.

In the event that additional properties are added to the sewer improvements, the properties shall pay a pro-rata share of the cost of the improvements. Properties serviced by the sewer improvements shall pay the in-Town tap fee in effect at the time of connection and shall pay the in-Town service charges for sanitary sewer service.

In consideration for the Town's agreement to provide sanitary sewer service, the Developers and the District agreed to grant, sell, and convey any and all rights each has in and to water in effluent treated by the Town. Such water rights have been conveyed.

Elbert agrees to pay to the Town an impact fee of fifty cents (\$0.50) per square foot of building area for developed commercial property. Elbert, on behalf of the District, will impose a public improvement fee (PIF) on the commercial property. The PIF is 4.0% of the total taxable sales transactions occurring within the boundaries of the District. Upon receipt of the PIF, the District shall remit 40% of the amount received (1.6%) to the Town to pay for the Town's costs associated with the commercial property and its related impacts upon the Town. The District will use the remaining PIF amount for debt service on the 2008 bonds. The 1.6% PIF shall be paid to the Town until the bonds issued by the District are paid in full or for 40 years from the first imposition of the PIF, whichever occurs first. Thereafter, the Town's PIF shall not be less than 1%. It is the intent of the Town and the District that the PIF be equivalent to the Town's sales tax rate and will be increased for any increases in the Town's sales tax rate. However, the District shall retain full discretion to set the PIF rate, regardless of the Town's sales tax rate.

During 2017, the District paid \$578,170 to the Town under this agreement.

**Water Service Agreement**

On December 15, 2016, the District entered into a Water Service Agreement with Rangeview Metropolitan District (Provider). At closing, on January 9, 2017, the Provider paid the District \$1,600,000 in exchange for the exclusive rights granted by the District to the Provider. In addition, the Parties appointed two individuals designated by the Provider to the board of directors of the District.

**ELBERT AND HIGHWAY 86 COMMERCIAL METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 8 - INTERGOVERNMENTAL AGREEMENTS (CONTINUED)**

Effective as of the Closing Date, the District granted the Provider an exclusive license to use, re-use, treat, and distribute the water rights for the purpose of furnishing water service to the District customers and for other such purposes as the Provider deems appropriate as long as such other uses do not impair water service to the District customers. In addition, the District granted to the Provider a non-exclusive license to use any easements, rights-of-way or other property interests held or owned by the District, or hereafter acquired by the District, as may reasonably be required or useful to accommodate (i) Provider's operation and maintenance of the District water system and (ii) subject to the limitation set forth in this agreement. The District shall reasonably cooperate with the Provider to enable to Provider to obtain, such additional easements, rights-of-way or other property interests reasonably required to enable the Provider to perform its obligations under this agreement. If the Provider recommends or the District requires that the location of any easements, rights-of-way or other property interests be adjusted, the Parties agree to cooperatively work together on relocating easements.

Pursuant to the agreement, the District shall retain ownership, dominion and control of the water rights, and other water owned or legally available to the District, including the right to use and re-use said water until extinction. The Provider shall keep and maintain accurate records of all contracts and expenses related to the District water system and all other records necessary for the administration and operation of the District water system. The Provider shall provide to the District (i) annual budgets and operating plans with respect to the District water system not later than October 1 of each year for the following year, (ii) annual reports on the status of the District water system within 20 days of the end of each calendar year, and (iii) such other information as the District may reasonable request in order to assure itself that the water demands of the District are being adequately provided for, to comply with its obligations. The District shall keep and maintain (i) accurate books, records and accounts of all collections and disbursements of rates, fees and charges, (ii) records related to the issuance of taps, and (iii) such other records as may be required by applicable laws and regulations.

Furthermore, at closing, the District transferred ownership of all components of the SCADA system and the automated meter reading system to the Provider so the Provider can read the meters and bill the District customers. The Provider is entitled to the ending funds available of the Enterprise Fund, which is net of revenues less expenditures related to the water system. In addition, the Provider shall be responsible for collection efforts on delinquent accounts.

The \$1,600,000 received by the District was recognized as a deferred inflow of resources and is being amortized over the period of 40 years, which represents the average useful lives of the business-type activities' capital assets using the straight-line method.

**NOTE 9 - INTERFUND TRANSFERS**

The transfer of \$1,594,046 from the Wild Pointe Water Activity Enterprise Fund to the General Fund was for the repayment of Developer advances and remaining balance of general administrative and operating costs.

**ELBERT AND HIGHWAY 86 COMMERCIAL METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 10 - RISK MANAGEMENT**

Except as provided in the Colorado Governmental Immunity Act, the District may be exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool). The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery, and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

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 which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

**NOTE 11 - TAX, SPENDING AND DEBT LIMITATIONS**

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue and debt limitations which apply to the State of Colorado and all local governments, except Enterprises.

Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR. The District's management believes its Wild Pointe Water Activity Enterprise Fund operations qualify for this exclusion.

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.



**ELBERT AND HIGHWAY 86 COMMERCIAL METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

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

On November 5, 2002, the District's electors authorized the District to collect, retain and spend all revenue, other than ad valorem taxes, without regard to limitation under TABOR in 2002 and all subsequent years. Additionally, on November 2, 2004, the District voters passed an election question to increase property taxes \$100,000 annually, without limitation of rate, to pay the District's operations, maintenance and other expenses.

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

This information is an integral part of the accompanying financial statements.

**SUPPLEMENTARY INFORMATION**

**ELBERT AND HIGHWAY 86 COMMERCIAL METROPOLITAN DISTRICT  
DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
Year Ended December 31, 2017**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
PIF revenue	\$ 1,378,000	\$ 1,445,000	\$ 1,445,424	\$ 424
Net investment income	700	1,700	2,073	373
Total revenues	<u>1,378,700</u>	<u>1,446,700</u>	<u>1,447,497</u>	<u>797</u>
<b>EXPENDITURES</b>				
Bond interest	824,000	848,000	845,055	2,945
Paying agent fees	3,750	3,750	1,665	2,085
PIF revenue payment to Town of Elizabeth	551,200	578,000	578,170	(170)
Total expenditures	<u>1,378,950</u>	<u>1,429,750</u>	<u>1,424,890</u>	<u>4,860</u>
<b>NET CHANGE IN FUND BALANCES</b>	(250)	16,950	22,607	5,657
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>201,007</u>	<u>222,735</u>	<u>222,735</u>	<u>-</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 200,757</u>	<u>\$ 239,685</u>	<u>\$ 245,342</u>	<u>\$ 5,657</u>

**ELBERT AND HIGHWAY 86 COMMERCIAL METROPOLITAN DISTRICT  
WILD POINTE WATER ACTIVITY ENTERPRISE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUNDS AVAILABLE - BUDGET AND ACTUAL  
Year Ended December 31, 2017**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Water tap fees	\$ 468,000	\$ 210,000	\$ 217,221	\$ 7,221
Water revenue	166,000	166,000	153,137	(12,863)
Water service agreement	-	1,600,000	1,600,000	-
Other revenue	-	9,529	-	(9,529)
Total revenues	<u>634,000</u>	<u>1,985,529</u>	<u>1,970,358</u>	<u>(15,171)</u>
<b>EXPENDITURES</b>				
Current				
Accounting	24,000	24,000	23,083	917
Audit	2,100	2,150	2,150	-
District management	28,800	15,000	8,766	6,234
Engineering	12,000	7,000	325	6,675
Generator maintenance	3,000	3,000	-	3,000
Insurance	5,000	5,022	5,022	-
Legal	45,000	15,000	6,029	8,971
Pump software upgrades	12,000	-	-	-
Repay Developer advance - Interest	468,000	-	-	-
Utilities	42,000	45,000	42,878	2,122
Water operations	54,000	55,000	36,792	18,208
Contingency	4,100	9,529	-	9,529
Water service agreement payment	-	355,253	395,738	(40,485)
Total expenditures	<u>700,000</u>	<u>535,954</u>	<u>520,783</u>	<u>15,171</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(66,000)</u>	<u>1,449,575</u>	<u>1,449,575</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers (to) other funds	-	(1,594,046)	(1,594,046)	-
Total other financing sources (uses)	<u>-</u>	<u>(1,594,046)</u>	<u>(1,594,046)</u>	<u>-</u>
<b>NET CHANGE IN FUNDS AVAILABLE</b>	(66,000)	(144,471)	(144,471)	-
<b>FUNDS AVAILABLE - BEGINNING OF YEAR</b>	<u>144,000</u>	<u>144,471</u>	<u>144,471</u>	<u>-</u>
<b>FUNDS AVAILABLE - END OF YEAR</b>	<u>\$ 78,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Funds available are defined as follows:

Current assets	\$ 213,205
Current liabilities	(213,205)
Funds available	<u>\$ -</u>

**ELBERT AND HIGHWAY 86 COMMERCIAL METROPOLITAN DISTRICT  
WILD POINTE WATER ACTIVITY ENTERPRISE FUND  
RECONCILIATION OF BUDGETARY BASIS (ACTUAL) TO  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION  
Year Ended December 31, 2017**

	<b>Actual</b>
Reconciliation of budgetary basis (actual) to Statement of Revenues, Expenses and Changes in Net Position:	
Revenues (budgetary basis)	\$ 1,970,358
Deferred inflows of resources	(1,560,000)
Total revenue per Statement of Revenues, Expenses, and Changes in Net Position	410,358
Expenditures (budgetary basis):	2,114,829
Depreciation	139,461
Total expenses per Statement of Revenues, Expenses, and Changes in Net Position	2,254,290
Change in Net Position per Statement of Revenues, Expenses, and Changes in Net Position	\$ (1,843,932)

## **OTHER INFORMATION**

**ELBERT AND HIGHWAY 86 COMMERCIAL METROPOLITAN DISTRICT  
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY  
December 31, 2017**

**\$15,000,000 Public Improvement Fee  
Revenue Bonds, Series 2008A  
Dated July 29, 2008  
7.5% Term Bonds Due December 1, 2032  
Interest Payable June 1 and December 1,  
Principal Due December 1**

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 885,000	\$ 975,375	\$ 1,860,375
2019	460,000	944,250	1,404,250
2020	510,000	909,750	1,419,750
2021	560,000	871,500	1,431,500
2022	620,000	829,500	1,449,500
2023	680,000	783,000	1,463,000
2024	745,000	732,000	1,477,000
2025	815,000	676,125	1,491,125
2026	890,000	615,000	1,505,000
2027	975,000	548,250	1,523,250
2028	1,060,000	475,125	1,535,125
2029	1,155,000	395,625	1,550,625
2030	1,260,000	309,000	1,569,000
2031	1,370,000	214,500	1,584,500
2032	1,490,000	111,750	1,601,750
	<u>\$ 13,475,000</u>	<u>\$ 9,390,750</u>	<u>\$ 22,865,750</u>

NOTE: Currently pledged revenues are not sufficient to meet the annual debt service requirements of the Bonds. Accrued unpaid interest at December 31, 2017, totaled \$1,844,865.

**ELBERT & HIGHWAY 86 COMMERCIAL METROPOLITAN DISTRICT  
SUMMARY OF ASSESSED VALUATION, MILL LEVY  
AND PROPERTY TAXES COLLECTED  
Year Ended December 31, 2017**

<b>Year Ended December 31,</b>	<b>Prior Year Assessed Valuation for Current Year Property Tax Levy</b>	<b>Mills Levied</b>		<b>Total Property Taxes</b>		<b>Percentage Collected to Levied</b>
		<b>General</b>	<b>Debt Service</b>	<b>Levied</b>	<b>Collected</b>	
2013	\$ 3,539,280	5.000	0.000	\$ 17,696	\$ 17,696	100%
2014	\$ 3,593,370	5.000	0.000	\$ 17,967	\$ 17,967	100%
2015	\$ 3,499,290	5.000	0.000	\$ 17,496	\$ 17,496	100%
2016	\$ 3,409,750	5.000	0.000	\$ 17,049	\$ 17,049	100%
2017	\$ 3,331,190	5.000	0.000	\$ 16,656	\$ 16,656	100%
Estimated for the year ending December 31, 2018	\$ 3,326,910	5.000	0.000	\$ 16,635		