

**COLLIERS HILL METROPOLITAN DISTRICT NO. 1**

**FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2016**

**COLLIERS HILL METROPOLITAN DISTRICT NO. 1  
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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Colliers Hill Metropolitan District No. 1  
Erie, Colorado

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of Colliers Hill Metropolitan District No. 1, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express 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 auditors' 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 the major fund of Colliers Hill Metropolitan District No. 1 as of December 31, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison information on pages 3-7 and page 27 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.



**CliftonLarsonAllen LLP**

Greenwood Village, Colorado  
March 09, 2017

**COLLIERS HILL METROPOLITAN DISTRICT NO. 1  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2016**

The discussion and analysis is designed to provide an analysis of Collier's Hill Metropolitan District No.1 (District) financial condition and operating results and to inform the reader on the District's financial issues and activities.

The Management's Discussion and Analysis (MD & A) should be read in conjunction with the District's financial statements.

**Financial Highlights**

- The net position of the District decreased by \$10,929,241 in 2016, to (\$21,296,437). An overall net deficit is typical in a metropolitan district, which transfers its capital assets to another government entity (city, town, etc.) after construction is complete but retains the related debt in the district until it is paid off.
- Budgeted expenditures exceeded actual expenditures by \$3,116,626, principally due to lower than expected capital spending.
- The District has one Bond Anticipation Note outstanding, the 2013 Bond Anticipation Note, which is scheduled to be fully retired in 2018.
- Capital assets decreased by \$1,345,880 in 2016. The District added \$7,937,426 in capital improvements and conveyed \$9,283,306 of capital improvements to the Town of Erie.

**Overview of the Financial Statements**

Management's discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The basic financial statements, presented on pages 8-26 are comprised of three components: 1) Government-wide financial statements, 2) Fund financial statements, and 3) Notes to the basic financial statements. This report also contains other required supplementary information is presented on page 27.

**Government-wide Financial Statements**

The government-wide financial statements are designed to provide the reader of the District's basic financial statements a broad overview of the financial activities in a manner similar to a private sector business. The government-wide financial statements include the statement of net position and the statement of activities.

The statement of net position presents information about all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The difference is reported as the net position. Over time, changes in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the net position of the District changed during the current fiscal year. Changes in net position are recorded in the statement of activities when the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement even though the resulting cash flow may be recorded in a future period.

**COLLIERS HILL METROPOLITAN DISTRICT NO. 1  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2016**

The government-wide financial statements consolidate governmental activities that are supported from taxes and intergovernmental revenues. Governmental activities consolidate governmental funds including the general fund. The government-wide financial statements can be found on pages 8-9.

**Fund Financial Statements**

Fund financial statements are designed to demonstrate compliance with finance-related legal requirements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for special objectives. The District uses governmental funds to account for its activity.

Governmental funds account for essentially the same information reported in the governmental activities of the government-wide financial statements. However, unlike the government-wide statements, the governmental fund financial statements focus on near-term financial resources and fund balances. Such information may be useful in evaluating financing requirements in the near term.

Since the governmental funds and the governmental activities report information using the same functions, it is useful to compare the information presented. Because the focus of each report differs, reconciliations are provided on the fund financial statements to assist the reader in comparing the near-term requirements with the long-term needs.

All of the District's activities are reported in a single governmental fund, the general fund, which focuses on how money flows into and out of that fund and the balance left at year-end available for spending in future periods.

The District adopts an annual budget for the governmental fund. A budgetary comparison schedule for the general fund is included in the required supplementary information.

The basic governmental fund financial statements can be found on pages 10-13 of this report.

**Notes to the Basic Financial Statements**

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes can be found on pages 14-26 of this report.

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also contains required supplementary information concerning the District's budgetary comparisons. Required supplementary information can be found on page 28 of this report.

**COLLIERS HILL METROPOLITAN DISTRICT NO. 1  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2016**

**Government-wide Financial Analysis**

**Government-wide Net Position**

The assets of the District are classified as current assets and capital assets. Cash, investments and accounts receivables are current assets. These assets are available to provide resources for the near-term operations of the District.

Capital assets are used in the operations of the District. These assets represent the construction in progress of the District. Capital assets decreased by \$1,345,880 during the current year due to capital improvement additions of \$7,937,426 and capital improvements conveyed to the town of Erie for \$9,283,306.

Current and noncurrent liabilities are classified based on anticipated liquidation either in the near-term or in the future. Current liabilities include accounts payable and current portion of long-term debt. The liquidation of current liabilities is anticipated to be either from current available resources, current assets or new resources that become available during fiscal year 2017.

The liabilities and deferred inflows of resources of the primary government activities exceed assets by \$21,296,437, with an unrestricted net position of (\$21,297,842). The District has \$1,405 restricted for emergencies as required by Article X, Section 20 of the Constitution of the State of Colorado.

**Government-wide Total Assets as compared to Total Liabilities, Deferred Inflows of Resources and Total Net Position:**

	Net Position	
	2016	2015
Assets:		
Current	\$ 3,787,517	\$ 10,015,601
Construction in Process	9,421,613	10,767,493
Total Assets	13,209,130	20,783,094
Liabilities:		
Current	1,903,785	3,202,618
Noncurrent	32,582,537	27,866,557
Total Liabilities	34,486,322	31,069,175
Deferred Inflow of Resources:		
Property Tax Revenue	19,245	81,115
Total Deferred Inflow of Resources	19,245	81,115
Net Position:		
Restricted	1,405	2,760
Unrestricted	(21,297,842)	(10,369,956)
Total Net Position	\$ (21,296,437)	\$ (10,367,196)

**COLLIERS HILL METROPOLITAN DISTRICT NO. 1  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2016**

**Government-wide Activities**

All of the District's programs and services are reported as governmental activities. Government activities decreased the net position of the District by \$10,929,241. The details of this decrease in net position are shown in the following schedule:

**The District's Changes in Net Position**

	Governmental Activities	
	2016	2015
Revenues:		
General Revenue:		
Property Taxes	\$ 83,249	\$ 117,871
Specific Ownership Taxes	13,661	8,972
Intergovernmental Revenue	758,693	359,743
Reimbursement Income	262,548	-
Miscellaneous Income	935	78,639
Investment Income	481	1,622
Total Revenue	1,119,567	566,847
Expenses:		
Governmental Activities:		
General Government	219,948	188,528
Public Works	9,283,306	765,843
Interest and Other Fiscal Charges	2,545,554	1,794,900
Total Expense	12,048,808	2,749,271
Total Change in Net Position	(10,929,241)	(2,182,424)
Net Position - Beginning of Year	(10,367,196)	(8,184,772)
Net Position - End of Year	\$ (21,296,437)	\$ (10,367,196)

Key elements of the decrease in net position for governmental activities are as follows:

- Intergovernmental revenue increased by \$238,917, primarily because of a cost reimbursement by the Town of Erie for Raw Water System improvements in 2016.
- Assets conveyed to the Town of Erie totaled \$9,283,306.

Business-type activities are comprised of services that would be provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The District does not have any business-type activities.



**COLLIERS HILL METROPOLITAN DISTRICT NO. 1  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2016**

**Financial Analysis of the District's Governmental Fund**

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

All of the District's activity is reported in a governmental fund, which focuses on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine where there are more or fewer financial resources that can be spent in the near future. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's one governmental fund, the general fund, reported an ending fund balance of \$2,572,083. Fund balance of \$3,659,814 is restricted for emergencies and capital projects. Nonspendable fund balance of \$14,701 is made up of pre-paid expenses that will benefit future periods.

The general fund is the chief operating fund of the District. As a measure of the general fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Actual expenditures of the general fund amounted to \$16,485,472. Total general fund balance represents 15.6% of expenditures.

**General Fund Budgetary Highlights**

The fund balance for the general fund decreased by \$6,708,174, resulting in an ending fund balance of \$2,572,083. Budget revenue was less than actual revenue by \$1,717,044. The largest variance was in intergovernmental transfers because of capital improvements that were not yet completed. Actual expenditures were \$3,116,626 less than budgeted expenditures, principally due to capital expenditures and debt service payments being lower than expected.

**Economic Factors and Next Year's Budgets and Rates**

Capital expenditures in 2017 are projected to total \$3,256,832 which will be financed by existing escrows.

***Requests for Information***

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District. Questions concerning any of the information provided in this report or requests for additional information shall be addressed to:

Colliers Hill Metropolitan District No. 1  
Mr. Steve Rane  
2500 Arapahoe, Suite 220  
Boulder, Colorado 80302

**COLLIERS HILL METROPOLITAN DISTRICT NO. 1**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2016**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and Investments	\$ 92,089
Restricted Cash	3,658,409
Property Tax Receivable	19,245
Accounts Receivable	1,931
Prepaid Items	14,701
Due from County Treasurer	1,142
Construction in Progress	<u>9,421,613</u>
Total Assets	<u>13,209,130</u>
<b>LIABILITIES</b>	
Accounts Payable	805,065
Retention Payable	391,124
Accrued Interest and Non-Use Fees	707,596
Noncurrent Liabilities:	
Due in More than One Year:	
2013 BAN	16,618,100
Developer Advances	6,974,064
Series 2011 Limited Tax Revenue Bonds	607,642
2016A Notes	<u>8,382,731</u>
Total Liabilities	<u>34,486,322</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Property Tax Revenue	<u>19,245</u>
Total Deferred Inflows of Resources	19,245
<b>NET POSITION</b>	
Restricted for Emergencies	1,405
Unrestricted	<u>(21,297,842)</u>
Total Net Position	<u><u>\$ (21,296,437)</u></u>

See accompanying Notes to Financial Statements.

**COLLIERS HILL METROPOLITAN DISTRICT NO. 1  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2016**

Functions/Programs	Expenses	Program Revenue	Net (Expense) Revenue and Changes in Net Position <u>Governmental Activities</u>
<b>Governmental Activities:</b>			
General Government	\$ 219,948	\$ -	\$ (219,948)
Public Works	9,283,306	1,021,241	(8,262,065)
Interest and Related Costs on Long-Term Debt	2,545,554	-	(2,545,554)
	<u>\$ 12,048,808</u>	<u>\$ 1,021,241</u>	<u>(11,027,567)</u>
<b>General Revenues:</b>			
			83,249
			13,661
			481
			935
			<u>98,326</u>
			<b>Change in Net Position</b> (10,929,241)
			Net Position - Beginning of Year <u>(10,367,196)</u>
			<b>Net Position - End of Year</b> <u>\$ (21,296,437)</u>

See accompanying Notes to Financial Statements.

**COLLIERS HILL METROPOLITAN DISTRICT NO. 1  
BALANCE SHEET  
DECEMBER 31, 2016**

	<u>General Fund</u>
<b>ASSETS</b>	
Cash and Investments	\$ 92,089
Restricted Cash	3,658,409
Property Tax Receivable	19,245
Accounts Receivable	1,931
Prepaid Items	14,701
Due from County Treasurer	<u>1,142</u>
Total Assets	<u><u>\$ 3,787,517</u></u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>	
<b>LIABILITIES</b>	
Accounts Payable	\$ 805,065
Retention Payable	<u>391,124</u>
Total Liabilities	1,196,189
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Property Tax Revenue	<u>19,245</u>
Total Deferred Inflows of Resources	19,245
<b>FUND BALANCE</b>	
Non-spendable	14,701
Restricted for TABOR	1,405
Restricted for Capital Projects	3,658,409
Unassigned	<u>(1,102,432)</u>
Total Fund Balance	<u>2,572,083</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u><u>\$ 3,787,517</u></u>

See accompanying Notes to Financial Statements.

**COLLIERS HILL METROPOLITAN DISTRICT NO. 1  
RECONCILIATION OF THE BALANCE SHEET OF  
GOVERNMENTAL FUND TO THE STATEMENT OF NET POSITION  
DECEMBER 31, 2016**

Total Fund Balance - Total Governmental Fund	\$ 2,572,083
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>	
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund balance sheet.</p> <p style="padding-left: 20px;">Construction in Progress</p>	9,421,613
<p>Accrued interest payable is recognized for governmental activities, but is not due and payable in the current period and, therefore, is not reported as a liability in the governmental fund.</p>	(707,596)
<p>Some liabilities, including bonds and notes payable, are not due in the current period and, therefore, are not reported in the fund balance sheet.</p> <p style="padding-left: 20px;">Developer Advances</p> <p style="padding-left: 20px;">2013 BAN</p> <p style="padding-left: 20px;">Series 2011 Limited Tax Revenue Bonds</p> <p style="padding-left: 20px;">2016A Note</p>	<p>(6,974,064)</p> <p>(16,618,100)</p> <p>(607,642)</p> <p><u>(8,382,731)</u></p> <p><u>(32,582,537)</u></p>
Net Position of Governmental Activities	<u>\$ (21,296,437)</u>

See accompanying Notes to Financial Statements.

**COLLIERS HILL METROPOLITAN DISTRICT NO. 1  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE – GOVERNMENTAL FUND  
YEAR ENDED DECEMBER 31, 2016**

	<u>General Fund</u>
<b>REVENUES</b>	
Property Tax Income	\$ 83,249
Specific Ownership Taxes	13,661
Net Investment Income	481
Intergovernmental - Town of Erie	758,693
Reimbursement Income	262,548
Miscellaneous Income	935
Total Revenues	<u>1,119,567</u>
<b>EXPENDITURES</b>	
Current:	
Audit and Accounting	81,044
Insurance	5,161
Legal	27,259
Letter of Credit	101,014
Other	1,715
Director Fees	100
Treasurer Fees	3,655
Debt Service:	
Principal	3,941,751
Interest and Fiscal Charges	4,180,520
Loan Origination Fees	205,827
Capital Outlay	7,937,426
Total Expenditures	<u>16,485,472</u>
<b>DEFICIENCY OF REVENUE OVER EXPENDITURES</b>	(15,365,905)
<b>OTHER FINANCING SOURCES</b>	
Proceeds from 2016 Debt Instruments	8,657,731
Total Other Financing Sources	<u>8,657,731</u>
<b>NET CHANGE IN FUND BALANCES</b>	(6,708,174)
Fund Balance - Beginning of Year	<u>9,280,257</u>
<b>FUND BALANCE - END OF YEAR</b>	<u><u>\$ 2,572,083</u></u>

See accompanying Notes to Financial Statements.

**COLLIERS HILL METROPOLITAN DISTRICT NO. 1  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND TO  
THE STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2016**

Net Change in Fund Balance - Total Governmental Fund \$ (6,708,174)

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

Governmental fund reports capital outlays as expenditures. However, for government activities, those capital outlays other than noncapitalizable items are shown in the statement of activities at cost.

Capital Outlay 7,937,426

The issuance of long-term debt provides current financial resources to the governmental fund, while the repayment of the principal on long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

Loan Proceeds on 2016 Debt Instruments (8,657,731)

Payment of Principal 3,941,751

Accrued interest expense reported in the statement of activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental fund.

Accrued Interest and Non-Use Fees 1,840,793

Transfers of capital improvements to other entities decrease net position in the statement of activities. This transaction is not reported in the governmental fund as it is not a current use of financial resources.

(9,283,306)

Change in Net Position of Governmental Activities

\$ (10,929,241)

**COLLIERS HILL METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 1 DEFINITION OF REPORTING ENTITY**

Colliers Hill Metropolitan District No. 1 (the District) is a quasi-municipal corporation located within the Town of Erie, Colorado formed by election in May 2008. The District and the Town of Erie have entered into an Intergovernmental Agreement as required by the Erie Code, which implemented the District Service Plan and limited certain District statutory powers. The District is governed pursuant to provisions of the Colorado Special District Act to finance construction, operation and maintenance of the facilities located within the Colliers Hill Metropolitan Districts No. 1, No. 2 and No. 3. In June 2014, Daybreak Metropolitan Districts 1, 2, and 3 formally changed their name to Colliers Hill Metropolitan Districts 1, 2, and 3.

The District was organized concurrently with Colliers Hill Metropolitan District No. 2 (District No. 2) and Colliers Hill Metropolitan District No. 3 (District No. 3). The District has the power to provide water, sanitation, streets, traffic and safety controls, park and recreation improvements, mosquito and pest control, transportation and other related improvements for the benefit of taxpayers and service users within the Districts' boundaries. The Service Plan requires the District to convey most of the constructed improvements to the Town of Erie for ownership and maintenance.

The District has no employees and all services are contracted.

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

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity, including District No. 2, District No. 3 and the Town of Erie.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Government-Wide and Fund Financial Statements**

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District. Governmental activities are normally supported by taxes and intergovernmental revenues.

The statement of net position reports all financial and capital resources of the District. The difference between the assets and liabilities and deferred outflows and inflows of resources of the District is reported as net position. The District is responsible for the repayment of bonds issued for the purpose of constructing infrastructure improvements, which will be conveyed to the Town of Erie. Consequently, a deficit balance is reflected on the District's Statement of Net Position.



**COLLIERS HILL METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

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

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

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

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Construction in progress is shown as an increase in assets and increases in long-term obligations are recorded as an increase in liabilities.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes and development fees. The District determined that developer advances are not considered as revenue susceptible to accrual. Expenditures generally are recorded when a liability is incurred as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

The District reports the following major governmental fund:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government.

**Budgets**

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

**Investments**

Investments are recorded at amortized cost.

**COLLIERS HILL METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**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 or if in equal instalments, 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.

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

In 2013, the District entered into an intergovernmental cooperation agreement with the Town of Erie Urban Renewal Authority (TOEURA) for tax increment financing (TIF). The agreement authorizes the District to be reimbursed for the design, acquisition, construction, installation and financing of Public Improvements in Urban Renewal Area No. 4. Operation, maintenance and administrative costs shall also be reimbursed as applicable. Taxes levied on taxable real property located within the TIF area after September 10, 2013 shall be divided each year for a period not to exceed twenty-five years from the effective date of the Urban Renewal Plan. Taxes will be collected by TOEURA and remitted to the District as set forth in the intergovernmental agreement.

**Capital Assets**

Capital assets consist entirely of construction projects in process that will be conveyed to the Town of Erie once completed. Therefore, no depreciation is calculated on these assets. Interest incurred during construction is not capitalized.

**Fund Balance**

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes. Per GASB 54, as of December 31, 2016, fund balances of governmental funds are classified as follows:

**Non-spendable** – amounts that cannot be spent either because they are not spendable in form or because they are legally or contractually required to be maintained intact.

**Restricted** – amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation.

**Committed** – amounts that are subject to a purpose constraint imposed by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. Commitments may be established, modified or rescinded only through resolutions approved by the Board.

**COLLIERS HILL METROPOLITAN DISTRICT NO. 1  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

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

**Fund Balance (Continued)**

Assigned – amounts that are subject to a purpose constraint that represents an intended use established by the District in its budget process. The purpose of the assignment must be narrower than the purpose of the General Fund.

Unassigned – represents the residual classification for the District’s General Fund and could report a surplus or deficit.

**Restricted Fund Balance**

Emergency Reserves have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado (see note 9). In compliance with this requirement, \$1,405 of the General Fund balance has been restricted.

The District has a balance of \$3,658,409 in cash held in escrow, which is considered restricted fund balance for capital projects.

The District’s order of fund balance spending policy is to apply expenditures against restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance. The District reserves the right to selectively spend unassigned fund balance.

**NOTE 3 CASH AND INVESTMENTS**

Cash and investments reflected on the statement of net position as of December 31, 2016 consist of the following:

Deposits	\$ 87,153
Restricted Cash Held in Escrow	3,658,409
Investments	4,936
Total Cash and Investments	\$ 3,750,498

**Cash Deposits**

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

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

At December 31, 2016, the District's cash deposits had a carrying balance of \$3,745,562.

**COLLIERS HILL METROPOLITAN DISTRICT NO. 1  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

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

**Investments**

The District has not adopted a formal investment policy; however, it follows state statutes regarding investments. The District also follows investment policies in bond or note agreements when those agreements are more restrictive than state statutes. 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 disclosure requirements or subject to investment custodial credit risk for investments that are in the possession of another party.

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 World Bank securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools
- Certain reverse repurchase agreements
- Certain corporate bonds
- Certain securities lending agreements

Colorado revised statutes limit investment maturities to five years or less depending on the specific investment held unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements. Revenue bonds of U.S. local government, corporate and bank securities and guaranteed investment contracts not purchased with bond proceeds are limited to maturities of three years or less.

As of December 31, 2016, the District had the following investments:

Investment	Maturity	Amortized Cost
Money Market Fund - Fidelity Treasury	Less than One Year	<u>\$ 4,936</u>

At December 31, 2016, the District had \$4,936 invested in Fidelity Treasury Money Market Funds. The investment is rated AAAM by Standard & Poor's and is valued at amortized cost. Based on the valuation method, additional disclosures are not required under GASB Statement No. 72.

**COLLIERS HILL METROPOLITAN DISTRICT NO. 1  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**NOTE 4 CONSTRUCTION IN PROCESS**

An analysis of the changes in construction in progress for the year ended December 31, 2016 follows:

	Balance at January 1, 2016	Additions	Reductions	Balance at December 31, 2016
Construction in Progress	\$ 10,767,493	\$ 7,937,426	\$ 9,283,306	\$ 9,421,613

It is the policy of the Town of Erie to accept the maintenance responsibility for water, sanitation, traffic and safety controls, park and recreation improvements, mosquito and pest control, transportation and other related improvements within the District only after a probationary period following completion of construction. When the improvements enter the probationary period, the District removes the cost of construction from its Statement of Net Position.

During 2016, major conveyances to the Town of Erie include Pocket Park Filing 1A improvements of \$287,960; Landscape tracts Filing 1 and Filing 2 of \$2,511,391; Raw Water Line System of \$2,310,774. The District conveyed the Amenity Center to the HOA in the amount of \$4,173,181. Although the title for this asset remains in the name of the District, the right to use, enjoy, and maintain the asset is the responsibility of the HOA as noted in Note 7.

**NOTE 5 RELATED PARTY**

All of the members of the Board of Directors are employees or are associated with Bellock Construction Company, construction manager and accountants for the District, Community Development Group of Erie, Inc. (CDG of Erie, Inc.), the developer within the District and Tallgrass Investors, LLC, Landowner within the District.

**Construction Management Agreement**

A construction management agreement was entered into July 24, 2008, between the District and Bellock Construction Company. The agreement calls for Bellock Construction Company to provide management services for all activities related to construction projects to be completed within Colliers Hill Metropolitan Districts No. 1. The agreement expires on December 31 of each year, but is automatically extended for a successive annual period so long as sufficient funds have been appropriated, unless contrary action is taken.

Amount paid to Bellock Construction Company during 2016 for construction and construction management was \$613,957.

**Accounting Services Agreement**

An accounting services contract was entered into with Bellock Construction Company on July 24, 2008. Under this agreement, accounting services are provided to District No. 1 at the hourly rates of Bellock Construction Company employees. During 2016, the District incurred accounting services fees in the amount of \$70,277.

**COLLIERS HILL METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 6 LONG-TERM OBLIGATIONS**

The District's long-term obligations consist of the following for the year ended December 31, 2016:

	Balance at January 1, 2016	Additions	Reductions	Balance at December 31, 2016	Due Within One Year
Series 2011 Limited Tax Revenue Bonds	\$ 607,642	\$ -	\$ -	\$ 607,642	\$ -
Developer Advances	10,640,815	275,000	3,941,751	6,974,064	-
2013 BAN	16,618,100	-	-	16,618,100	-
2016A Notes	-	8,382,731	-	8,382,731	-
Total	<u>\$ 27,866,557</u>	<u>\$ 8,657,731</u>	<u>\$ 3,941,751</u>	<u>\$ 32,582,537</u>	<u>\$ -</u>

**Developer Advances**

During 2010, the District agreed to enter into a loan agreement for capital costs with Tallgrass Investors, LLC, the Landowner, a related party (see Note 5). The agreement has a 0% interest rate for the advances received prior to January 1, 2011 in the amount of \$835,000. In 2015, the Developer gave an additional \$9,989,060, which had an interest rate of 8.5%. The Developer agreed to advance the District funds for eligible costs as defined by the Districts, of which a limited portion was for operation/administrative costs and the remaining portion was for capital. In 2016, the District received an additional \$275,000 from the Developer at the same interest rate note above and paid \$3,941,751 in principal with the proceeds from the 2016A Notes. Total interest charged to expense for the Developer advance was \$656,257 for the year ended December 31, 2016.

**2011 Limited Tax Supported Revenue Bonds**

The District authorized a bond issue for \$950,000. On October 27, 2011, the District issued \$775,000 of Limited Tax Revenue Bonds. The outstanding principal balance of the bonds is \$607,642. The bonds bear interest at the rates of 4% per annum and such interest is payable annually on July 1 commencing July 1, 2012. The District incurred \$24,306 in interest expense for the year ended December 31, 2016 for these bonds. The bonds are subject to optional and mandatory sinking fund redemptions prior to maturity at the prices and upon the terms set forth below:

**Optional Redemption**

The bonds are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$1,000, in any order of maturity on any date, upon payment of par and interest accrued to the date of redemption, without redemption premium.

**Mandatory Redemption**

The bonds are also subject to mandatory redemption in any order of maturity and in whole or partial maturities, on July 1 of each year to the extent of monies on deposit, if any, in the Bond Account, after payment of accrued and unpaid interest to such date, at a redemption price equal to the principal amount of such redemption payment (with no redemption premium), such that the principal amount of the bond shall be reduced dollar for dollar to the extent of such redemption payment (but not in amounts less than \$1,000 or integral multiples thereof).

**COLLIERS HILL METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 6 LONG-TERM OBLIGATIONS (CONTINUED)**

**Mandatory Redemption (Continued)**

Pledged revenue consists of amounts collected by the District from the imposition of the Required Mill Levy, which are generated from the amount of assessed valuation associated with and otherwise attributable to and generated by any and all oil and gas production and operations. The Required Mill Levy imposed upon all taxable property of the District each year shall be an amount equal to, but not in excess of, 50 mills. To the extent that the Pledged revenue is not sufficient to pay the principal of and interest on the bonds when due, available revenues shall be applied first to the payment of current and past due interest on the bonds and then to payment of principal on the bonds.

The failure of the District to make any interest payment on a bond when the same shall come due shall not constitute an event of default. Interest on the bond shall continue to accrue and shall be paid on the next interest payment date when funds are available for such payment at simple interest.

**2011 Limited Tax Supported Revenue Bonds (Continued)**

The District's Limited Tax Revenue Bond will mature as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ -	\$ 24,306	\$ 24,306
2018	-	24,306	24,306
2019	-	24,306	24,306
2020	-	24,306	24,306
2021	607,642	24,306	631,948
Total	<u>\$ 607,642</u>	<u>\$ 121,530</u>	<u>\$ 729,172</u>

**\$16,618,100 Bond Anticipation Notes**

In December 2013, the District issued one or more series of subordinate notes, in a total principal amount not to exceed \$16,618,100, to be issued to the Developer, a related party (see Note 5), for outstanding amounts previously advanced to the District by the Developer for capital costs. The bond anticipation note shall incur interest payable on June 1 and December 1, starting on June 1, 2014 at an annual interest rate of 8.5% per annum. The repayment of the 2013 Bond Anticipation Notes will be subordinate to any outstanding senior bonds. The Bond 2013 Anticipation Notes mature on December 11, 2018. Total interest charged to expense for the 2013 Bond Anticipation Notes was \$1,412,538 for the year ended December 31, 2016.

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ -	\$ 1,412,539	\$ 1,412,539
2018	16,618,100	1,451,776	18,069,876
Total	<u>\$ 16,618,100</u>	<u>\$ 2,864,315</u>	<u>\$ 19,482,415</u>

**COLLIERS HILL METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 6 LONG-TERM OBLIGATIONS (CONTINUED)**

**Series 2016A Note – Initial Advance**

The District issued the 2016A Limited Tax Obligation Note – Initial Advance on March 10, 2016 for an amount not to exceed \$10,000,000. The proceeds of such debt will be used to refund a portion of the amounts due on the District’s Developer Advances and pay costs of issuance on the Note. The Bank will make advances to the District from time to time during the Advance Period of March 10, 2016 through March 10, 2019 not to exceed \$10,000,000. The initial advance on the 2016A Note to the District was in the amount of \$6,753,144. The first principal payment is due December 1, 2018. The District does not have optional prepayment of principal through the second anniversary of the date of the Note. A prepayment fee of 1% will be added to the principal balance if prepayment occurs after the second anniversary but before the third anniversary date. No prepayment fee is incurred if prepayment occurs after the third anniversary date and before the fifth anniversary date of the Note. Unpaid principal will bear interest in the amount of 3.8325% for the first five years. On May 25, 2021, and each five year anniversary until the maturity date, the interest rate will reset to the Bank Qualified Tax-Exempt Rate on the reset date. Interest payments are due on June 1 and December 1 of each year. In 2016, the District incurred \$209,927 in interest expense.

The District is subject to non-use fees in the amount of 0.25% of the unfunded portion computed on the basis of a 360-day year and actual days elapsed beginning on the commencement date of the Initial Advance stated above. The District incurred \$16,570 in non-use fees on the unfunded balance as of December 31, 2016.

The following summarizes the debt service requirements to maturity for the Initial Advance:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ -	\$ 262,409	\$ 262,409
2018	101,297	262,409	363,706
2019	118,180	258,473	376,653
2020	121,557	254,576	376,133
2021	23,636	249,157	272,793
2022-2026	283,632	1,221,922	1,505,554
2027-2031	509,862	1,155,899	1,665,761
2032-2036	1,131,152	1,010,719	2,141,871
2037-2041	1,840,232	736,424	2,576,656
2042-2046	2,623,596	319,530	2,943,126
Total	<u>\$ 6,753,144</u>	<u>\$ 5,731,518</u>	<u>\$ 12,484,662</u>

**Series 2016A Note – Second Advance**

The District issued the 2016 Limited Tax Obligation Note – Second Advance on September 1, 2016 as a Second Advance under the Series 2016A Note described above. The amount of the principal on the Second Advance was \$1,629,587 for a total outstanding principal of \$8,382,731, which is under the \$10,000,000 maximum. Proceeds from the Second Advance will be used to fund on-going public improvement projects being constructed by the District. Unpaid principal will bear interest in the amount of 3.683% for the first five years. Consistent with the Initial Advance, interest will reset on May 21, 2021 and each five year anniversary until the maturity date. Due to each advance being issued on separate dates where Bank Qualified Tax-Exempt Rates change day-to-day, each advance will be amortized separately.



**COLLIERS HILL METROPOLITAN DISTRICT NO. 1  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**NOTE 6 LONG-TERM OBLIGATIONS (CONTINUED)**

**Series 2016A Note – Second Advance (Continued)**

Principal and interest will be due on the same dates as the Initial Advance. In 2016, the District incurred \$20,129 in interest expense on the Second Advance.

The following summarizes the debt service requirements to maturity for the Second Advance:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ -	\$ 60,851	\$ 60,851
2018	24,444	60,851	85,295
2019	28,518	59,938	88,456
2020	29,333	59,035	88,368
2021	5,703	57,778	63,481
2022-2026	68,443	283,357	351,800
2027-2031	123,034	268,047	391,081
2032-2036	272,956	234,380	507,336
2037-2041	444,062	170,773	614,835
2042-2046	633,094	74,097	707,191
Total	<u>\$ 1,629,587</u>	<u>\$ 1,329,107</u>	<u>\$ 2,958,694</u>

**Debt Authorization**

The District voters approved \$330,000,000 of revenue obligation debt in 2008 at an interest rate not to exceed 18% per annum. At December 31, 2016, the District had remaining authorized but unissued indebtedness of \$297,417,464. In the future, the District may issue a portion or all of the remaining authorized but unissued General Obligation Debt for purposes of providing public improvements to support development as it occurs within the District's service area.

**NOTE 7 DISTRICT FACILITIES CONSTRUCTION AND SERVICE AGREEMENT (SERVICE CONTRACT) AND OTHER AGREEMENTS**

The Districts are to construct the facilities benefiting the Districts and transfer them to the Town of Erie. The Districts will, to the extent that they are to benefit, pay the capital costs and the service costs of operation and maintenance of such facilities.

Each District is required to fund, on an annual basis, the amount of actual service costs that it would be capable of funding through property tax revenue plus other fee revenue as determined in the annual budget.

**Maintenance and Warranty of Public Improvements**

In 2014, Community Development Group of Erie, Inc. (Owner), on behalf of the District, entered into a Metropolitan District Development Agreement with the Town of Erie. As part of the agreement, the Owner was required to provide an Improvement Guarantee (Guarantee) for a period of time sufficient to cover the completion of the public improvements. If the Owner is unable to complete the improvements, the Town of Erie has the right to call upon the Guarantee.

**COLLIERS HILL METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 7 DISTRICT FACILITIES CONSTRUCTION AND SERVICE AGREEMENT  
(SERVICE CONTRACT) AND OTHER AGREEMENTS (CONTINUED)**

**Maintenance and Warranty of Public Improvements (Continued)**

The Guarantee could be in the form of cash, certified check, or a letter of credit. The amount of the Guarantee shall be 115% of the total estimated costs including labor and material of all the public improvements to be constructed per the agreement. As of the date of the agreement, May 3, 2014, the estimated cost of the improvements for Filing 1 and 2 was \$5,801,611.

As of December 31, 2016, the public improvements have been completed. The Letter of Credit is made up of warranty costs of \$1,450,402 for Filing 1 and 2 of District improvements and \$638,260 for public improvements. The balance of the Letter of Credit \$2,088,662, is still outstanding as of December 31, 2016 and is anticipated to be reduced by \$238,260 in May 2017 at renewal.

On May 11, 2015, the owner, on behalf of the District, was issued a letter of credit by Vectra Bank in the amount of \$25,635 for warranty costs on the sanitary sewer improvements in Filing 2A. As of December 31, 2016, the entire balance is still outstanding and expires in May 2017.

On November 3, 2015, the owner, on behalf of the District, was issued a letter of credit by Vectra Bank in the amount of \$54,303 for warranty costs on the traffic signal improvements. As of December 31, 2016, the entire balance is still outstanding and expires in November 2017.

On July 15, 2015, the owner, on behalf of the District, was issued a letter of credit by Vectra Bank in the amount of \$3,346,750 for Filing 3 District improvements. As of December 31, 2016, the entire balance is outstanding and the estimated costs to complete are \$48,366.

On March 25, 2016, the owner, on behalf of the District, was issued a letter of credit by California Bank and Trust in the amount of \$1,195,043 for Erie Parkway improvements associated with Filing 3. As of December 31, 2016, the entire balance is outstanding and the estimated costs to complete are \$358,000.

On June 20, 2016, the owner, on behalf of the District, was issued a letter of credit by California Bank and Trust in the amount of \$174,786 for warranty costs on the Raw Water Line installed by the District. As of December 31, 2016, the entire balance is outstanding with zero estimated costs to complete.

**NOTE 8 RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2016. 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 during the past three years.

**COLLIERS HILL METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 8 RISK MANAGEMENT (CONTINUED)**

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

**NOTE 9 TAX, SPENDING AND DEBT LIMITATIONS**

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

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

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.

On May 6, 2008, a majority of the District's electors authorized the District to collect and spend or retain in a reserve all annual District revenue without regard to any limitations under TABOR.

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 and qualification as an enterprise, will require judicial interpretation.

**NOTE 10 SUBSEQUENT EVENT**

On February 3, 2017, the District entered into a loan agreement with Vectra Bank for advances not to exceed \$5,600,000. The agreement, 2016B Limited Tax General Obligation Note (Series 2016B Note), is an extension of Series 2016A Note described in Note 6. The District made the initial advance on the Series 2016B Note in the amount of \$262,669. The advance will be used to refund a prior obligation of the District. Payment terms are the same as the Series 2016A Note and applicable interest rate was 4.208%.

**REQUIRED SUPPLEMENTARY INFORMATION**

**COLLIERS HILL METROPOLITAN DISTRICT NO. 1  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE – BUDGET AND ACTUAL  
GENERAL FUND  
YEAR ENDED DECEMBER 31, 2016**

	Original and Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Property Taxes	\$ 243,679	\$ 83,249	\$ (160,430)
Specific Ownership Taxes	17,057	13,661	(3,396)
Intergovernmental - Town of Erie	2,575,875	758,693	(1,817,182)
Reimbursement Income	-	262,548	262,548
Investment Income	-	481	481
Miscellaneous Income	-	935	935
Total Revenues	<u>2,836,611</u>	<u>1,119,567</u>	<u>(1,717,044)</u>
<b>EXPENDITURES</b>			
Current:			
Treasurer Fees	3,655	3,655	-
Audit	10,500	10,600	(100)
Accounting	60,000	70,444	(10,444)
Insurance	10,000	5,161	4,839
Legal	25,000	27,259	(2,259)
Letter of Credit	88,500	101,014	(12,514)
Miscellaneous	5,000	1,715	3,285
Capital Expenditures	10,103,000	7,937,426	2,165,574
Director Fees	200	100	100
Debt Service:			
Principal Payments	6,200,000	3,941,751	2,258,249
Interest and Fiscal Charges	3,001,243	4,180,520	(1,179,277)
Loan Origination Fees	95,000	205,827	(110,827)
Total Expenditures	<u>19,602,098</u>	<u>16,485,472</u>	<u>3,116,626</u>
<b>EXCESS REVENUES OVER (UNDER) EXPENDITURES</b>	(16,765,487)	(15,365,905)	1,399,582
<b>OTHER FINANCING SOURCES</b>			
Proceeds from 2016 Debt Instruments	<u>7,000,000</u>	<u>8,657,731</u>	<u>1,657,731</u>
Total Other Financing Sources	<u>7,000,000</u>	<u>8,657,731</u>	<u>1,657,731</u>
<b>NET CHANGE IN FUND BALANCE</b>	(9,765,487)	(6,708,174)	3,057,313
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>9,838,768</u>	<u>9,280,257</u>	<u>(558,511)</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 73,281</u>	<u>\$ 2,572,083</u>	<u>\$ 2,498,802</u>