

COLLIERS HILL METROPOLITAN DISTRICT NO. 1

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

**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, 2018, 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, 2018, 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.

Emphasis of Matter

Matured Debt

As discussed in Note 6, the District holds a Bond Anticipation Note (BAN), which matured at December 11, 2018. At the date of this report, the District has the ability to consummate the outstanding BAN in accordance with the GASB No. 62, Paragraph 39. Based on this ability, the District has excluded this BAN from current liabilities as of December 31, 2018. The agreement states that the outstanding BAN is legally enforceable until principal is paid in full or a new debt instrument is issued. The District did not pay off principal or issue a new instrument in 2018. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 21 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.

Management omitted the management's discussion and analysis that accounting principals 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.



CliftonLarsonAllen LLP

Greenwood Village, Colorado
April 25, 2019

COLLIERS HILL METROPOLITAN DISTRICT NO. 1
STATEMENT OF NET POSITION
DECEMBER 31, 2018

	Governmental Activities
ASSETS	
Cash and Investments	\$ 305,721
Restricted Cash	560,817
Property Tax Receivable	103,694
Prepaid Items	4,681
Due from County Treasurer	4,332
Construction in Progress	2,057,587
Total Assets	3,045,144
LIABILITIES	
Accounts Payable	58,954
Retention Payable	7,230
Accrued Interest and Non-Use Fees Due Within the Year	1,366,186
2016A Notes	241,799
Due in More than One Year:	
2013 BAN	16,618,100
Developer Advances	1,992,524
2016A Notes	15,232,460
Total Liabilities	35,517,253
DEFERRED INFLOWS OF RESOURCES	
Property Tax Revenue	103,694
Total Deferred Inflows of Resources	103,694
NET POSITION	
Restricted for Emergencies	5,097
Unrestricted	(32,580,900)
Total Net Position	\$ (32,575,803)

See accompanying Notes to Financial Statements.

COLLIERS HILL METROPOLITAN DISTRICT NO. 1
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018

Functions/Programs	Expenses	Program Revenue Charges for Services	Net (Expense) Revenue and Changes in Net Position Governmental Activities
Governmental Activities:			
General Government	\$ 86,242	\$ -	\$ (86,242)
Public Works	409,465	32,209	(377,256)
Interest and Related Costs on Long-Term Debt	2,219,241	-	(2,219,241)
	\$ 2,714,948	\$ 32,209	(2,682,739)
General Revenues:			
			80,611
			56,774
			6,376
			801,289
			Change in Net Position
			(1,881,450)
			Net Position - Beginning of Year
			(30,694,353)
			Net Position - End of Year
			\$ (32,575,803)

See accompanying Notes to Financial Statements.

**COLLIERS HILL METROPOLITAN DISTRICT NO. 1
BALANCE SHEET
DECEMBER 31, 2018**

	General Fund
ASSETS	
Cash and Investments	\$ 305,721
Restricted Cash	560,817
Property Tax Receivable	103,694
Accounts Receivable	8,312
Prepaid Items	4,681
Due from County Treasurer	4,332
Total Assets	\$ 987,557
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	
LIABILITIES	
Accounts Payable	\$ 58,954
Retention Payable	7,230
Total Liabilities	66,184
DEFERRED INFLOWS OF RESOURCES	
Property Tax Revenue	103,694
Total Deferred Inflows of Resources	103,694
FUND BALANCE	
Non-spendable	4,681
Restricted for TABOR	5,097
Restricted for Capital Projects	495,538
Unassigned	312,363
Total Fund Balance	817,679
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 987,557

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, 2018**

Total Fund Balance - Total Governmental Fund	\$	817,679
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 fund balance sheet.		
Construction in Progress		2,057,587
Accrued interest payable is recognized for governmental activities, but is not reported as a liability in the governmental fund.		
		(1,366,186)
Some liabilities, including bonds and notes payable, are not due in the current period and, therefore, are not reported in the fund balance sheet.		
Developer Advances		(1,992,524)
2013 BAN		(16,618,100)
2016 Series Note		(15,474,259)
		<u>(34,084,883)</u>
Net Position of Governmental Activities		<u>\$ (32,575,803)</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, 2018**

	General Fund
REVENUES	
Property Tax Income	\$ 80,611
Specific Ownership Taxes	56,774
Net Investment Income	6,376
TIF Income	657,528
Reimbursement Income	32,209
Total Revenues	833,498
EXPENDITURES	
Current:	
Audit and Accounting	42,295
Insurance	4,706
Legal	9,978
Letter of Credit	17,427
Other	696
Director Fees	60
Treasurer Fees	11,080
Debt Service:	
Principal	1,192,424
Interest	1,205,736
Loan Origination Fees	17,829
Non-use Fees	1,114
Custodial Fees	4,500
Capital Outlay	358,193
Total Expenditures	2,866,038
DEFICIENCY OF REVENUE OVER EXPENDITURES	(2,032,540)
OTHER FINANCING SOURCES	
Proceeds from 2016 Debt Instruments	1,814,320
Total Other Financing Sources	1,814,320
NET CHANGE IN FUND BALANCES	(218,220)
Fund Balance - Beginning of Year	1,035,899
FUND BALANCE - END OF YEAR	\$ 817,679

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, 2018**

Net Change in Fund Balance - Total Governmental Fund	\$	(218,220)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>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.</p>		
Capital Outlay		358,193
<p>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.</p>		
Loan Proceeds from Developer Advances		(31,427)
Loan Proceeds on 2016 Debt Instruments		(1,782,893)
Payment of Principal		1,192,424
<p>The change in accrued interest expense and non-use fees does not have any impact on governmental fund expenditures. This transaction, however, does increase the amount of interest expense on the statement of activities.</p>		
Accrued Interest and Non-Use Fees		(990,062)
<p>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.</p>		
		(409,465)
Change in Net Position of Governmental Activities		\$ (1,881,450)

See accompanying Notes to Financial Statements.

COLLIERS HILL METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

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.

COLLIERS HILL METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

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.

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.

COLLIERS HILL METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 and Net Position

Net position is reported in the governmental activities and is classified as restricted or unrestricted. Restrictions of net position represent amounts that are not available for appropriation or are legally restricted. As of December 31, 2018, fund balances of governmental funds are classified as follows:

COLLIERS HILL METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance and Net Position (Continued)

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.

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, \$5,097 of the General Fund balance has been restricted.

The District has a balance of \$495,538 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, 2018 consist of the following:

Deposits	\$ 296,490
Restricted Cash Held in Escrow	560,817
Investments	9,231
Total Cash and Investments	<u><u>\$ 866,538</u></u>

COLLIERS HILL METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

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 fair 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, 2018, the District's cash deposits had a carrying balance of \$857,307.

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.

**COLLIERS HILL METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

As of December 31, 2018, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amortized Cost</u>
Money Market Fund - Fidelity Treasury	Less than One Year	<u>\$ 9,231</u>

At December 31, 2018, the District had \$9,231 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.

NOTE 4 CONSTRUCTION IN PROCESS

An analysis of the changes in construction in progress for the year ended December 31, 2018 follows:

	<u>Balance at January 1, 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at December 31, 2018</u>
Construction in Progress	<u>\$ 2,108,859</u>	<u>\$ 358,193</u>	<u>\$ 409,465</u>	<u>\$ 2,057,587</u>

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 2018, major conveyances to the Town of Erie included warranty costs in the amount of \$409,465.

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.

**COLLIERS HILL METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 5 RELATED PARTY (CONTINUED)

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.

The amount paid to Bellock Construction Company during 2018 for construction and construction management was \$54,263.

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 2018, the District incurred accounting services fees in the amount of \$31,045.

NOTE 6 LONG-TERM OBLIGATIONS

The District's long-term obligations consist of the following for the year ended December 31, 2018:

	Balance at January 1, 2018	Additions	Reductions	Balance at December 31, 2018	Due Within One Year
Developer Advances	\$ 3,027,780	\$ 31,427	\$ 1,066,683	\$ 1,992,524	\$ -
2013 BAN	16,618,100	-	-	16,618,100	-
General Obligation Limited Tax Notes					
Series 2016	13,817,107	1,782,893	125,741	15,474,259	241,799
Total	<u>\$ 33,462,987</u>	<u>\$ 1,814,320</u>	<u>\$ 1,192,424</u>	<u>\$ 34,084,883</u>	<u>\$ 241,799</u>

Developer Advances

In 2014, Developer agreed to advance the District funds of \$651,754 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 2015, the Developer advanced an additional \$9,989,060. In 2017, the District received \$375,000 in additional advances. In 2018, the District received \$31,427 in additional advances and paid \$1,066,683 of principal. All Developer Advances have an interest rate of 8.5%. Total interest charged to expense for the Developer advances was \$179,375 for the year ended December 31, 2018.

**COLLIERS HILL METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 6 LONG-TERM OBLIGATIONS (CONTINUED)

\$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 (BAN) 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 2013 BAN matured on December 11, 2018.

The agreement states that the BAN is legally enforceable until principal is paid in full or a new debt instrument is issued. The District did not pay off principal or issue a new instrument in 2018. Interest will continue to accrue until one of those requirements is met. During 2018, the District incurred \$1,404,692 in interest expense related to the BAN. The District made interest payments of \$506,160 on accrued interest in 2018. The repayment of the BAN is subordinate in all respects to repayment of any outstanding Senior Notes or Senior Debt of the District. The repayment of the BAN principal and accrued interest is payable in immediately available funds upon presentation and surrender of this BAN at its maturity, December 11, 2018. The District has the ability to consummate the outstanding BAN in accordance with GASB No. 62, Paragraph 39. Based on this ability, the District has excluded the BAN from current liabilities as of December 31, 2018.

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 16,618,100	\$ 1,177,115	\$ 17,795,215
Total	<u>\$ 16,618,100</u>	<u>\$ 1,177,115</u>	<u>\$ 17,795,215</u>

Series 2016 Note

The District issued the 2016 Limited Tax Obligation Note on March 10, 2016 for an amount not to exceed \$10,000,000 through March 10, 2019. On February 3, 2017, the District executed an additional agreement under the same terms for an amount not to exceed \$5,600,000. 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 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 date 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. 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. 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 \$743 in non-use fees in 2018.

COLLIERS HILL METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 6 LONG-TERM OBLIGATIONS (CONTINUED)

Each advance is subject to the terms as noted above. Below is a summary of each draw made through December 31, 2018:

	Amount	Principal Paid in 2018	Interest Incurred in 2018	Date of Advance	Effective Interest Rate
Initial Advance	\$ 6,753,144	\$ 101,297	\$ 262,085	March 14, 2016	3.833%
Second Advance	1,629,587	24,444	60,644	September 1, 2016	3.675%
Third Advance	1,617,269	-	69,000	January 25, 2017	4.208%
Fourth Advance	262,669	-	11,207	February 3, 2017	4.208%
Fifth Advance	2,529,277	-	100,781	June 1, 2017	3.930%
Sixth Advance	1,025,161	-	42,252	October 19, 2017	4.065%
Seventh Advance	1,782,893	-	67,640	February 28, 2018	4.478%
Total	<u>\$ 15,600,000</u>	<u>\$ 125,741</u>	<u>\$ 613,609</u>		

The following summarizes the debt service requirements to maturity for the 2016 Note:

Year Ending December 31,	Principal	Interest	Total
2019	\$ 241,799	\$ 622,468	\$ 864,267
2020	280,801	614,584	895,385
2021	54,600	601,614	656,214
2022	78,000	599,418	677,418
2023	124,800	596,282	721,082
2024 - 2028	771,617	2,896,170	3,667,787
2029 - 2033	1,723,800	2,686,490	4,410,290
2034 - 2038	3,244,800	2,220,493	5,465,293
2039 - 2043	4,953,000	1,432,885	6,385,885
2044 - 2046	4,001,042	336,143	4,337,185
Total	<u>\$ 15,474,259</u>	<u>\$ 12,606,547</u>	<u>\$ 28,080,806</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, 2018, the District had remaining authorized but unissued indebtedness of \$295,915,118. 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.

COLLIERS HILL METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

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

Maintenance and Warranty of Public Improvements

After completion of public improvements and initial acceptance by the local jurisdiction, the District is responsible for any and all warranty costs associated with the improvements, if any. After two years and receipt of final acceptance by the local jurisdiction, the District has no responsibility or exposure to warranty claims or costs.

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, 2018. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage during the past three years.

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.

COLLIERS HILL METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 9 TAX, SPENDING AND DEBT LIMITATIONS (CONTINUED)

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

In February 2019, the District issued the 2019A Limited Tax Obligation Note for an amount not to exceed \$7,500,000 with the ability to draw on the Note through February 8, 2022. The terms are similar to the Series 2016 Note as described in Note 6. On February 8, 2019, the District had an initial draw of \$4,167,442.

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, 2018

	Original and Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Property Taxes	\$ 74,919	\$ 80,611	\$ 5,692
Specific Ownership Taxes	36,878	56,774	19,896
TIF Income	662,638	657,528	(5,110)
Intergovernmental - Town of Erie	690,051	-	(690,051)
Reimbursement Income	-	32,209	32,209
Investment Income	-	6,376	6,376
Total Revenues	<u>1,464,486</u>	<u>833,498</u>	<u>(630,988)</u>
EXPENDITURES			
Current:			
Treasurer Fees	11,063	11,080	(17)
Audit	11,250	11,250	-
Accounting	65,000	31,045	33,955
Insurance	4,900	4,706	194
Legal	25,000	9,978	15,022
Letter of Credit	51,124	17,427	33,697
Miscellaneous	10,000	696	9,304
Director Fees	230	60	170
Capital Outlay	3,190,971	358,193	2,832,778
Debt Service:			
Principal Payments	125,741	1,192,424	(1,066,683)
Interest	834,124	1,205,736	(371,612)
Loan Origination Fees	17,829	17,829	-
Non-use Fees	4,519	1,114	3,405
Custodial Fees	6,000	4,500	1,500
Total Expenditures	<u>4,357,751</u>	<u>2,866,038</u>	<u>1,491,713</u>
EXCESS REVENUES OVER (UNDER)			
EXPENDITURES	(2,893,265)	(2,032,540)	860,725
OTHER FINANCING SOURCES			
Proceeds from 2016 Debt Instruments	<u>1,782,893</u>	<u>1,814,320</u>	<u>31,427</u>
Total Other Financing Sources	<u>1,782,893</u>	<u>1,814,320</u>	<u>31,427</u>
NET CHANGE IN FUND BALANCE	(1,110,372)	(218,220)	892,152
FUND BALANCES -			
BEGINNING OF YEAR	<u>1,190,088</u>	<u>1,035,899</u>	<u>(154,189)</u>
FUND BALANCES - END OF YEAR	<u>\$ 79,716</u>	<u>\$ 817,679</u>	<u>\$ 737,963</u>