

WINTER FARM METROPOLITAN DISTRICT NO. 1
Weld County, Colorado

FINANCIAL STATEMENTS
December 31, 2017

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Independent Auditor's Report

Board of Directors
Winter Farm Metropolitan District No.1

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Winter Farm Metropolitan District No.1 as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Winter Farm Metropolitan District No.1 as of December 31, 2017, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

L. PAUL GOEDECKE P.C.

CERTIFIED PUBLIC ACCOUNTANTS

14143 Denver West Parkway Suite450

LAKEWOOD, COLORADO 80401

TELEPHONE 303-232-2866

Cell 720-938-1686

paul@goedecke-cpa.com

Other Matters

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

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

L. Paul Goedecke P.C.

L. Paul Goedecke, P.C.

May 21, 2019

BASIC FINANCIAL STATEMENTS

WINTER FARM METROPOLITAN DISTRICT NO. 1
STATEMENT OF NET POSITION
December 31, 2017

	Governmental Activities
ASSETS	
Cash and investments	\$ 22,150
Cash and investments - Restricted	203,856
Due from District No. 2	543
Account receivable	604
Account receivable - Certified water fees	1,160
Capital assets, net	1,456,383
Total assets	1,684,696
 LIABILITIES	
Accounts payable	28,839
Prepaid assessments	4,815
Noncurrent liabilities:	
Due in more than one year	486,783
Total liabilities	520,437
 NET POSITION	
Net investment in capital assets	969,600
Unrestricted	194,659
Total net position	\$ 1,164,259

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

WINTER FARM METROPOLITAN DISTRICT NO. 1
STATEMENT OF ACTIVITIES
Year Ended December 31, 2017

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u> <u>Revenue and</u> <u>Changes in Net</u> <u>Position</u>
		<u>Charges for</u> <u>Services</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>	<u>Capital Grants</u> <u>and</u> <u>Contributions</u>	<u>Governmental</u> <u>Activities</u>
Primary government:					
Governmental activities:					
General government	\$ 479,806	\$ 379,528	\$ 3,690,232	\$ -	\$ 3,589,954
Dedication of assets to other entities	3,669,597	-	-	-	(3,669,597)
	<u>\$ 4,149,403</u>	<u>\$ 379,528</u>	<u>\$ 3,690,232</u>	<u>\$ -</u>	<u>(79,643)</u>
General revenues:					
Net investment income					4,946
Other					5,604
Total general revenues					<u>10,550</u>
Change in net position					(69,093)
Net position - Beginning					1,233,352
Net position - Ending					<u>\$ 1,164,259</u>

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

WINTER FARM METROPOLITAN DISTRICT NO. 1
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2017

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and investments	\$ 22,150	\$ -	\$ 22,150
Cash and investments - Restricted	-	203,856	203,856
Due from District No. 2	-	543	543
Receivables - District fees	604	-	604
Account receivable - Certified water fees	1,160	-	1,160
Due from other funds	-	37,343	37,343
Total assets	<u>23,914</u>	<u>\$ 241,742</u>	<u>\$ 265,656</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 21,797	\$ 7,042	\$ 28,839
Prepaid assessments	4,815	-	4,815
Due to other funds	37,343	-	37,343
Total liabilities	<u>63,955</u>	<u>7,042</u>	<u>70,997</u>
 FUND BALANCES			
Assigned to:			
Capital projects	-	234,700	234,700
Unassigned	(40,041)	-	(40,041)
Total fund balances	<u>(40,041)</u>	<u>234,700</u>	<u>194,659</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 23,914</u>	<u>\$ 241,742</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,456,383
Long-term liabilities are not due and payable in the current period and, therefore, are not in the funds.	
Developer advance payable	(486,783)
Net position of governmental activities	<u>\$ 1,164,259</u>

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

WINTER FARM METROPOLITAN DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended December 31, 2017

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
REVENUES			
Intergovernmental revenue - Nos. 2	\$ 20,635	\$ 3,669,597	\$ 3,690,232
Irrigation revenue	138,709	-	138,709
Finance charges - Irrigation revenue	1,459	-	1,459
Architectural review fee	3,560	-	3,560
Set up fees	21,300	-	21,300
Interest income	84	4,862	4,946
Other income	604	5,000	5,604
Tap fees	-	214,500	214,500
Total revenues	<u>186,351</u>	<u>3,893,959</u>	<u>4,080,310</u>
EXPENDITURES			
Accounting	20,301	-	20,301
Architectural review fee	3,600	-	3,600
Audit	5,250	-	5,250
Bank fees	466	-	466
District management	9,000	-	9,000
Dues and subscriptions	667	-	667
Insurance and bonds	8,104	-	8,104
Landscape maintenance	58,766	-	58,766
Legal	22,514	-	22,514
Legal - District No. 2	29,610	-	29,610
Landscape replacement	10,014	-	10,014
Office expense	2,691	-	2,691
Pest control	849	-	849
Resident setup fee	24,100	-	24,100
Snow removal	1,105	-	1,105
Utilities	29,478	-	29,478
Utility locates	20,210	-	20,210
Irrigation systems and repairs	15,822	-	15,822
Non-Potable system management	15,340	-	15,340
Streets	-	503,457	503,457
Traffic & Safety controls	-	100,127	100,127
Water	-	1,050,541	1,050,541
Non-Potable water system	-	846,783	846,783
Sewer	-	768,245	768,245
Park & Recreation	-	1,247,227	1,247,227
Water Meter installation	-	104,834	104,834
Irrigation setup fees	-	8,700	8,700
New pump for non-potable system	-	54,407	54,407
Blowout installation	-	17,500	17,500
Total expenditures	<u>278,441</u>	<u>4,701,821</u>	<u>4,980,262</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(92,090)</u>	<u>(807,862)</u>	<u>(899,952)</u>
OTHER FINANCING SOURCES (USES)			
Developer advance	-	846,783	846,783
Reimbursement to Developer	-	(360,000)	(360,000)
Transfer to/from other funds	37,688	(37,688)	-
Total other financing sources (uses)	<u>37,688</u>	<u>449,095</u>	<u>486,783</u>
NET CHANGE IN FUND BALANCES	(54,402)	(358,767)	(413,169)
FUND BALANCES - BEGINNING OF YEAR	<u>14,361</u>	<u>593,467</u>	<u>607,828</u>
FUND BALANCES - END OF YEAR	<u>\$ (40,041)</u>	<u>\$ 234,700</u>	<u>\$ 194,659</u>

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

**WINTER FARM METROPOLITAN DISTRICT NO. 1
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2017**

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

Net changes in fund balances - Total governmental funds \$ (413,169)

Governmental funds report capital outlays as expenditures. In the statement of activities capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense the allocation of the cost of any depreciable asset over the estimated useful life of the asset. Capital outlay, the conveyance of capital assets to other governments and depreciation expense in the current period are as follows:

Capital outlay	4,588,287
Depreciation	(87,831)
Dedication of assets to other entities	(3,669,597)

Long-term debt (e.g., bonds, notes, Developer advances) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

Developer advance payment	360,000
Developer advances - current year	<u>(846,783)</u>

Change in net position of governmental activities \$ (69,093)

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

WINTER FARM METROPOLITAN DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
Year Ended December 31, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Intergovernmental revenue - Nos. 2	\$ 20,188	\$ 21,000	\$ 20,635	\$ (365)
Irrigation revenue	144,875	133,535	138,709	5,174
Finance charges - Irrigation revenue	3,500	1,411	1,459	48
Architectural review fee	-	2,950	3,560	610
Set up fees	-	29,000	21,300	(7,700)
Interest income	-	100	84	(16)
Other income	-	-	604	604
Total revenues	<u>168,563</u>	<u>187,996</u>	<u>186,351</u>	<u>(1,645)</u>
EXPENDITURES				
Accounting	13,000	20,000	20,301	(301)
Architectural review fee	-	2,950	3,600	(650)
Audit	10,000	5,250	5,250	-
Bank fees	250	450	466	(16)
District management	9,000	8,250	9,000	(750)
Dues and subscriptions	3,500	-	667	(667)
Miscellaneous	313	-	554	(554)
Insurance and bonds	10,000	8,104	8,104	-
Landscape maintenance	30,000	54,000	58,766	(4,766)
Legal	12,000	26,000	22,514	3,486
Legal - District No. 2	-	-	29,610	(29,610)
Landscape replacement	10,000	10,014	10,014	-
Office expense	-	3,000	2,691	309
Pest control	3,500	849	849	-
Resident setup fee	-	29,000	24,100	4,900
Snow removal	5,000	2,000	1,105	895
Non-Potable Water-System Expenditures				
Utilities	35,000	30,000	29,478	522
Utility locates	2,000	1,500	20,210	(18,710)
Irrigation systems and repairs	10,000	11,000	15,822	(4,822)
Non-Potable system management	15,000	14,090	15,340	(1,250)
Total expenditures	<u>168,563</u>	<u>226,457</u>	<u>278,441</u>	<u>(51,984)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>(38,461)</u>	<u>(92,090)</u>	<u>(53,629)</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other fund	-	-	37,688	37,688
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>37,688</u>	<u>37,688</u>
NET CHANGE IN FUND BALANCES	-	(38,461)	(54,402)	(15,941)
FUND BALANCES - BEGINNING OF YEAR	38,480	38,482	14,361	(24,121)
FUND BALANCES - END OF YEAR	<u>\$ 38,480</u>	<u>\$ 21</u>	<u>\$ (40,041)</u>	<u>\$ (40,062)</u>

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

WINTER FARM METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 1 - DEFINITION OF REPORTING ENTITY

Winter Farm Metropolitan District No. 1 ("The District"), a quasi-municipal corporation and political subdivision of the State of Colorado, was formed in November 2000, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District was established as part of a "Multiple District Structure" for the Winter Farm community located in the Town of Windsor, Weld County, Colorado. Along with its companion district, District No. 2 ("The Financing District"), this "Service District" was organized to provide financing for the design, acquisition, construction and installation of public improvements, facilities and services. The public improvements to be provided by the Districts are proposed to include the types of facilities and improvements for a non-potable water system, streets and roadways, street landscaping, signage, monuments, and lighting, safety protections, park and recreation, sanitation and storm drainage, water improvements and other related improvements and their operation and maintenance.

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

The District is not financially accountable for any other organization (including The Financing District), nor is the District a component unit of any other primary governmental entity.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Government-wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District. The effect of interfund activity has been removed from these statements. 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 sum of assets and deferred outflows and the sum of liabilities and deferred inflows is reported as 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: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or

WINTER FARM METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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

The District reports the following major governmental funds:

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

The Capital Projects Fund is used to account for financial resources to be used for the acquisition and construction of capital equipment and facilities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Budgets

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

WINTER FARM METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The District incurred expenditures in excess of appropriation for the year ended December 31, 2017 in the General and Capital Projects Funds, which may be in violation of Local Government Budget Law.

Pooled Cash and Investments

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a single account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash and investments.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Capital assets which are anticipated to be conveyed to other governmental entities are recorded as construction in progress, and are not include in the calculation of the net investment in capital assets component of the District's net position.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Depreciation expense has been computed using the straight-line method over the following estimated economic useful lives:

Park and recreation	25 years
Irrigation system	25 years
Water system	25 years

Non-Potable Water Tap Fees & Installations

The District charges a Tap Fee of \$3,900 when a builder acquires a permit to build a new home. The District will then pay to install a non-potable water tap and meter on the new home lots.

WINTER FARM METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Architectural Review & Set Up Fees

The District charges new homeowners a Set Up Fee for the initial set up of recording them into District records and for Architectural review services.

Irrigation Fees

The District charges an Irrigation Fee of \$305 per home for the non-potable water which is delivered by the use of a District pump house and pipeline.

Equity

Net Position

For government-wide presentation purposes when both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

Fund Balance

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

- *Nonspendable fund balance* – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.
- *Restricted fund balance* – The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.
- *Committed fund balance* – The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.
- *Assigned fund balance* – The portion of fund balance that is constrained by the government's intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.

WINTER FARM METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- *Unassigned fund balance* – The residual portion of fund balance that does not meet any of the criteria described above.

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

NOTE 3 - CASH AND INVESTMENTS

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

Statement of net position:

Cash and investments	\$ 22,150
Cash and investments - Restricted	<u>203,856</u>
Total cash and investments	<u><u>\$ 226,006</u></u>

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

Deposits with financial institutions	\$ 96,542
Investments	<u>129,464</u>
Total cash and investments	<u><u>\$ 226,006</u></u>

Deposits with Financial Institutions

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

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

At December 31, 2017, the District's cash deposits had a bank balance of \$100,303 and a carrying balance of \$96,542.

Investments

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

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

WINTER FARM METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

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

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

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

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

Investment	Maturity	Amount
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted average under 60 days	<u>\$ 129,464</u>

COLOTRUST

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

WINTER FARM METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 4 - CAPITAL ASSETS

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

	<u>Balance at December 31, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at December 31, 2017</u>
Governmental Activities:				
Construction in progress				
Streets	\$ -	\$ 503,457	\$ 503,457	\$ -
Water	-	1,050,541	1,050,541	-
Sewer and storm drainage	-	768,245	768,245	-
Traffic and safety control	-	100,127	100,127	-
Parks and recreation	-	1,247,227	1,247,227	-
Total capital assets, not being depreciated	<u>-</u>	<u>3,669,597</u>	<u>3,669,597</u>	<u>-</u>
Capital assets, being depreciated:				
Irrigation system	809,224	-	-	809,224
Pumping sytem	124,659	918,690	-	1,043,349
Landscaping and trails	516,480	-	-	516,480
Total capital assets, being depreciated	<u>1,450,363</u>	<u>918,690</u>	<u>-</u>	<u>2,369,053</u>
Less accumulated depreciation for:				
Irrigation system	(460,045)	(55,774)	-	(515,819)
Pumping sytem	(71,175)	(6,233)	-	(77,408)
Landscaping and trails	(293,619)	(25,824)	-	(319,443)
Total accumulated depreciation	<u>(824,839)</u>	<u>(87,831)</u>	<u>-</u>	<u>(912,670)</u>
Total capital assets, being depreciated, net	<u>625,524</u>	<u>830,859</u>	<u>-</u>	<u>1,456,383</u>
Governmental activities capital assets, net	<u>\$ 625,524</u>	<u>\$ 830,859</u>	<u>\$ 3,669,597</u>	<u>\$ 1,456,383</u>

Depreciation expense for the year ended December 31, 2017, was charged to general government activities.

WINTER FARM METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 5 - LONG-TERM OBLIGATIONS

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

	Balance at December 31, 2016	Additions	Payments	Balance at December 31, 2017	Due Within One Year
Developer advance - Capital:					
Developer advance	\$ -	\$ 846,783	\$ 360,000	\$ 486,783	\$ -
	<u>\$ -</u>	<u>\$ 846,783</u>	<u>\$ 360,000</u>	<u>\$ 486,783</u>	<u>\$ -</u>

Developer Advances

The District has entered into an Infrastructure Acquisition and Reimbursement Agreements with the Developer as follows:

Infrastructure Acquisition and Reimbursement Agreement

On September 17, 2015, the District, District No. 2 and the Developer entered into an Infrastructure Acquisition and Reimbursement Agreement (“IARA”). The District and District No. 2 (the “Districts”) to induce the Developer to agree to design, construct, and complete Additional Public Improvements within the Winter Farm development as set forth within the IARA, the Districts, in particular District No. 2, agree to reimburse the Developer for approved District Eligible Costs associated with the design and construction of Additional Public Improvements, up to \$4,000,000. Under the terms of the IARA, upon completion of and receipt of all required approvals and final payment by the Developer, the Developer shall convey the Additional Public Improvements to the District. Under the Operations Agreement, those Additional Public Improvements retained by the Districts shall be operated, unless the Operating Agreement is terminated, by the District.

Authorized Debt

On November 7, 2007, the District’s voters authorized total indebtedness of \$52,350,000 for construction of public improvements and operating and maintenance expenditures and debt refunding. At December 31, 2017 the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

WINTER FARM METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

	Amount Authorized on November 7, 2000	Authorization Used	Authorized But Unissued
Streets	\$ 3,600,000	\$ -	\$ 3,600,000
Traffic & Safety	500,000	-	500,000
Water supply	2,400,000	-	2,400,000
Sewer	3,300,000	-	3,300,000
Parks and Recreation	2,000,000	-	2,000,000
Public Transportation	500,000	-	500,000
Television Relay and Translation	500,000	-	500,000
Mosquito Control	250,000	-	250,000
Operations and Maintenance	3,000,000	-	3,000,000
Debt Refunding	16,650,000	-	16,650,000
Contractual Agreements	19,650,000	-	19,650,000
	<u>\$ 52,350,000</u>	<u>\$ -</u>	<u>\$ 52,350,000</u>

NOTE 6 - NET POSITION

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

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

Net investment in capital assets:	
Capital assets, net	\$ 1,456,383
Noncurrent portion of outstanding long-term obligations	<u>(486,783)</u>
Net investment in capital assets	<u>\$ 969,600</u>

NOTE 7 - RELATED PARTIES

The members of the Board of Directors of the District are employees, owners of, or otherwise associated with Lorson North Development Corporation (Developer), the Landhuis Company, Saint Aubyn Homes, LLC and Lorson Investment, LLC, holders of the District's outstanding bonds, and may have conflicts of interest in dealing with the District. See Note 2 concerning the receipt of district fees.

WINTER FARM METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 8 - INTERGOVERNMENTAL AGREEMENT

Intergovernmental Agreement Concerning District Operations

The District and The Financing District entered into an Intergovernmental Agreement Concerning District Operations (“Operations Agreement”) under which The Financing District engaged the District as the “operator” of the District Owned Improvements as described in the Operations Agreement. Under the terms of the Operating Agreement, The Financing District is obligated to provide sufficient money to fund the operation of the District-Owned Improvements by the District. The Operations Agreement may be terminated by The Financing District at any time, upon 90 days written notice.

On March 26, 2018, the Financing District notified the District of its intent to terminate the Operation Agreement.

NOTE 9 - 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). The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials’ liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

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

NOTE 10 - TAX, SPENDING AND DEBT LIMITATIONS

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

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.

WINTER FARM METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 10 - TAX, SPENDING AND DEBT LIMITATIONS (CONTINUED)

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.

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

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

SUPPLEMENTARY INFORMATION

**WINTER FARM METROPOLITAN DISTRICT NO. 1
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2017**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental revenue - Nos. 2	\$ 3,665,273	\$ 3,669,597	\$ 3,669,597	\$ -
Tap fees	390,000	226,200	214,500	(11,700)
Interest income	-	4,025	4,862	837
Other revenues	-	5,000	5,000	-
Total revenues	<u>4,055,273</u>	<u>3,904,822</u>	<u>3,893,959</u>	<u>(10,863)</u>
EXPENDITURES				
Capital outlay				
Streets	503,457	503,457	503,457	-
Traffic & Safety controls	89,185	100,127	100,127	-
Water	1,050,541	1,050,541	1,050,541	-
Non-potable water system	-	-	846,783	(846,783)
Sewer	768,245	768,245	768,245	-
Park & Recreation	1,247,227	1,247,227	1,247,227	-
TV Relay	6,618	-	-	-
Non-Potable Water Installation Expenses				
Water Meter installation	100,000	117,000	104,834	12,166
Irrigation setup fees	10,000	10,500	8,700	1,800
Utility locates	10,000	20,000	-	20,000
Blowout installation	-	-	17,500	(17,500)
New pump for non-potable system	55,000	54,990	54,407	583
Payments for upgrades to non-potable system	215,000	-	-	-
Total expenditures	<u>4,055,273</u>	<u>3,872,087</u>	<u>4,701,821</u>	<u>(829,734)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>32,735</u>	<u>(807,862)</u>	<u>(840,597)</u>
OTHER FINANCING SOURCES (USES)				
Developer advance	-	-	846,783	846,783
Reimbursement to Developer	-	(360,000)	(360,000)	-
Transfers to other funds	-	-	(37,688)	(37,688)
Total other financing sources (uses)	<u>-</u>	<u>(360,000)</u>	<u>449,095</u>	<u>809,095</u>
NET CHANGE IN FUND BALANCES	<u>-</u>	<u>(327,265)</u>	<u>(358,767)</u>	<u>(31,502)</u>
FUND BALANCES - BEGINNING OF YEAR	<u>418,324</u>	<u>418,324</u>	<u>593,467</u>	<u>175,143</u>
FUND BALANCES - END OF YEAR	<u>\$ 418,324</u>	<u>\$ 91,059</u>	<u>\$ 234,700</u>	<u>\$ 143,641</u>