

**CENTRAL MARKSHEFFEL METROPOLITAN DISTRICT**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2017**



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## INDEPENDENT AUDITOR'S REPORT

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Board of Directors  
**Central Marksheffel Metropolitan District**  
Colorado Springs, Colorado

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of Central Marksheffel Metropolitan District ("District") as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2017, the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Management has omitted 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 which 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.

### *Other Information*

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

*BiggsKofford, P.C.*

Colorado Springs, Colorado  
July 31, 2018

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## **BASIC FINANCIAL STATEMENTS**

**CENTRAL MARKSHEFFEL METROPOLITAN DISTRICT**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2017**

	<b>Governmental Activities</b>
<b><u>ASSETS</u></b>	
Cash and investments	\$ 463,480
Cash and investments - restricted	1,706,840
Accounts receivable - County Treasurer	7,874
Property taxes receivable	990,418
Grant receivable	100,000
<b>Total assets</b>	<b>3,268,612</b>
<b><u>LIABILITIES</u></b>	
Accounts payable	11,585
Accrued interest payable	27,790
Noncurrent liabilities:	
General obligation limited tax bonds:	
Due within one year	315,000
Due in more than one year	10,970,000
<b>Total liabilities</b>	<b>11,324,375</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>	
Deferred property tax revenues	990,418
<b>Total deferred inflows of resources</b>	<b>990,418</b>
<b><u>NET POSITION</u></b>	
Restricted for:	
Debt service	1,701,709
Emergency reserve	3,225
Unrestricted	(10,751,115)
<b>Total net position</b>	<b>\$ (9,046,181)</b>

The accompanying notes and independent auditor's report  
should be read with this financial statement.



**CENTRAL MARKSHEFFEL METROPOLITAN DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2017**

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net Revenue and Change in Net Position of Primary Government - Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<b>FUNCTIONS/PROGRAMS</b>					
<b>PRIMARY GOVERNMENT:</b>					
General government	\$ 116,883	\$ -	\$ -	\$ -	\$ (116,883)
Grant revenues	-	-	273,633	-	273,633
Impact fees	-	238,752	-	-	238,752
Interest and related costs on long-term debt	346,455	-	-	-	(346,455)
<b>Total primary government</b>	<b>\$ 463,338</b>	<b>\$ 238,752</b>	<b>\$ 273,633</b>	<b>\$ -</b>	<b>49,047</b>
<b>GENERAL REVENUES:</b>					
Property taxes					751,978
Specific ownership taxes					101,827
Investment earnings					10,743
<b>Total general revenues</b>					<b>864,548</b>
<b>Changes in net position</b>					<b>913,595</b>
<b>Net position, beginning of year</b>					<b>(9,959,776)</b>
<b>Net position, end of year</b>					<b>\$ (9,046,181)</b>

The accompanying notes and independent auditor's report should be read with this financial statement.

**CENTRAL MARKSHEFFEL METROPOLITAN DISTRICT**  
**BALANCE SHEETS**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2017**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b><u>ASSETS</u></b>			
Cash and investments	\$ 447,383	\$ 16,097	\$ 463,480
Cash and investments - restricted	-	1,706,840	1,706,840
Accounts receivables - County Treasurer	1,312	6,562	7,874
Property taxes receivable	165,060	825,358	990,418
<b>Total assets</b>	<b>\$ 613,755</b>	<b>\$ 2,554,857</b>	<b>3,168,612</b>
<b><u>LIABILITIES</u></b>			
Accounts payable	11,585	-	11,585
<b>Total liabilities</b>	<b>11,585</b>	<b>-</b>	<b>11,585</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Deferred property tax revenues	165,060	825,358	990,418
<b>Total deferred inflows of resources</b>	<b>165,060</b>	<b>825,358</b>	<b>990,418</b>
<b><u>FUND BALANCE</u></b>			
Restricted for:			
Debt service	-	1,729,499	1,729,499
Emergency reserve	3,225	-	3,225
Unassigned:			
General government	433,885	-	433,885
<b>Total fund balances</b>	<b>437,110</b>	<b>1,729,499</b>	<b>2,166,609</b>
<b>Total liabilities and fund balances</b>	<b>\$ 613,755</b>	<b>\$ 2,554,857</b>	

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

Receivables not collected within 60 days of December 31, 2017 are not financial resources and, therefore, are not reported in the funds.

<u>Grant receivable</u>	100,000
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Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

<u>Bonds payable</u>	(11,285,000)
<u>Accrued interest payable</u>	(27,790)

<u>Net position of governmental activities</u>	<u>\$ (9,046,181)</u>
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The accompanying notes and independent auditor's report should be read with this financial statement.

**CENTRAL MARKSHEFFEL METROPOLITAN DISTRICT**  
**STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2017**

	General Fund	Debt Service Fund	Total Governmental Funds
<b>REVENUES</b>			
Property taxes	\$ 125,329	\$ 626,649	\$ 751,978
Specific ownership taxes	16,971	84,856	101,827
Impact fees	-	238,752	238,752
Grant revenues	-	273,633	273,633
Net investment income	-	10,743	10,743
<b>Total revenues</b>	<b>142,300</b>	<b>1,234,633</b>	<b>1,376,933</b>
<b>EXPENDITURES</b>			
Current:			
Audit	7,725	-	7,725
Bank charges	2,082	-	2,082
Board of directors fees	300	-	300
Insurance	2,598	-	2,598
Landscaping and maintenance	3,383	-	3,383
Legal	11,004	-	11,004
Management fees	78,000	-	78,000
Other	386	-	386
Postage	126	-	126
Treasurer's fees	1,879	9,400	11,279
Debt service:			
Bond principal	-	305,000	305,000
Interest	-	347,202	347,202
<b>Total expenditures</b>	<b>107,483</b>	<b>661,602</b>	<b>769,085</b>
Excess of revenues over (under) expenditures	34,817	573,031	607,848
<b>Net change in fund balances</b>	<b>34,817</b>	<b>573,031</b>	<b>607,848</b>
Fund balances, beginning of year	402,293	1,156,468	1,558,761
<b>Fund balances, end of year</b>	<b>\$ 437,110</b>	<b>\$ 1,729,499</b>	<b>\$ 2,166,609</b>

The accompanying notes and independent auditor's report  
should be read with this financial statement.

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**CENTRAL MARKSHEFFEL METROPOLITAN DISTRICT  
RECONCILITAION OF THE STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2017**

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

<b>Net change in fund balances - total governmental funds</b>	\$	607,848
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The issuance of debt provides current financial resources to government funds, while the repayment of principal of debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The net effect of these differences in the treatment of debt is as follows.

Principal payment on bonds payable		305,000
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in accrued interest payable on bonds		747
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<b>Changes in net position of governmental activities</b>	\$	<u>913,595</u>
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The accompanying notes and independent auditor's report should be read with this financial statement.

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**CENTRAL MARKSHEFFEL METROPOLITAN DISTRICT**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**YEAR ENDED DECEMBER 31, 2017**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Favorable (Unfavorable)</b>
<b><u>REVENUES</u></b>				
Property taxes	\$ 125,265	\$ 125,329	\$ 125,329	\$ -
Specific ownership taxes	8,769	16,971	16,971	-
Total revenues	<u>134,034</u>	<u>142,300</u>	<u>142,300</u>	<u>-</u>
<b><u>EXPENDITURES</u></b>				
Audit	7,500	7,725	7,725	-
Bank charges	200	200	2,082	(1,882)
Board of directors fees	1,500	1,500	300	1,200
Contingency	-	94,585	-	94,585
Insurance	3,200	3,200	2,598	602
Landscaping and maintenance	25,000	25,000	3,383	21,617
Legal	20,000	20,000	11,004	8,996
Management fees	78,000	78,000	78,000	-
Other	1,000	1,000	386	614
Postage	200	200	126	74
Treasurer's fees	1,879	1,879	1,879	-
Total expenditures	<u>138,479</u>	<u>233,289</u>	<u>107,483</u>	<u>125,806</u>
Excess of revenues over (under) expenditures	<u>(4,445)</u>	<u>(90,989)</u>	<u>34,817</u>	<u>125,806</u>
Net change in fund balance	<u>\$ (4,445)</u>	<u>\$ (90,989)</u>	<u>34,817</u>	<u>\$ 125,806</u>
Fund balance, beginning of year			<u>402,293</u>	
Fund balance, end of year			<u>\$ 437,110</u>	

The accompanying notes and independent auditor's report  
should be read with this financial statement.

**CENTRAL MARKSHEFFEL METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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**1. DEFINITION OF REPORTING ENTITY**

Central Marksheffel Metropolitan District ("District"), a quasi-municipal corporation and political subdivision of the State of Colorado, was formed on December 4, 2002, and is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in El Paso County, Colorado ("County"). The District was organized to construct public improvements including road and bridge improvements, landscaping, sanitary and storm sewer, water systems, park and recreation, channel and other drainage improvements needed for the area.

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 and 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.

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by property taxes, ownership 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 plus deferred inflows of resources of the District is reported as net position.

See independent auditor's report



**CENTRAL MARKSHEFFEL METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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**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 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

Measurement focus, basis of accounting and financial statement position

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 collectable 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, ownership taxes, grant revenues and intergovernmental revenues. All other revenue items are considered to be measurable and available only when cash is received by the District. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is due.

The District reports the following major governmental funds:

*General fund* - The general fund is used to account for all financial resources of the District except those required to be accounted for in another fund.

*Debt service fund* - The debt service fund accounts for the servicing of general long-term debt and revenues generated and received by the District that are required to be used in payment of long-term debt.

See independent auditor's report

**CENTRAL MARKSHEFFEL METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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

Budgets

In accordance with state budget law, the District's board of directors holds public hearings in the fall each year to approve the budget and appropriate funds for the ensuing year. The appropriation is at the total fund expenditures, fund balance remaining 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.

Pooled cash and investments

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

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 and attaches as an enforceable lien 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, at the taxpayer's election, in February and June in equal installments. Delinquent taxpayers are notified in August and sales of the tax liens on delinquent properties are generally held in November or December. The County Treasurer remits the taxes collected to the District monthly.

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

See independent auditor's report

**CENTRAL MARKSHEFFEL METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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

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 are 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 is 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.

*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 policy to use the most restrictive classification first.

See independent auditor's report

**CENTRAL MARKSHEFFEL METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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**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	\$ 463,480
Cash and investments - restricted	<u>1,706,840</u>
	<u><u>\$ 2,170,320</u></u>

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

Deposits with financial institutions	\$ 463,480
Investments	<u>1,706,840</u>
	<u><u>\$ 2,170,320</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. The 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 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 \$463,480 and a carrying balance of \$463,480.

See independent auditor's report

**CENTRAL MARKSHEFFEL METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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

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 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 revised statutes limit investment maturities to five years or less unless otherwise 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 and certain United States government agency securities
- Certain international agency securities
- General obligation and revenue bonds of United States local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certificates of deposit in Colorado PDPA approved banks or savings banks
- \* Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

See independent auditor's report

**CENTRAL MARKSHEFFEL METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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

Fair value measurement and application

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. Investments not measured at fair value and not categorized include governmental money market funds (Fidelity Investments Money Market Government Portfolio - Class I).

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

<u>Investments</u>	<u>Maturity</u>	<u>Fair Value</u>
Fidelity Investments Money Market Government Portfolio - Class I	Less than 1 year	<u>\$ 1,706,840</u>

The Fidelity Investments Money Market Government Portfolio - Class I is a money market fund that is managed by Federated Investors and each share is equal in value to \$1.00. The fund is AAAM rated and invests in high quality short-term U.S. government securities. The average maturity of the underlying securities is 90 days or less.

**4. LONG-TERM OBLIGATIONS**

During 2014, the District issued new bonds to repay the 2004 Series Bonds, all remaining developer advances, and costs of providing certain public improvements for the District. The bonds were reissued in two separate issuances: Series 2014A and Series 2014B Bonds for a combined amount of \$12,230,000. The interest rate on the 2014A Bonds is 2.94% per annum and the rate on the Series 2014B Bonds is 3.11% per annum. Interest on the 2014A Bonds and 2014B Bonds is payable to the bondholders semi-annually on each June 1 and December 1, commencing December 1, 2014. The Series 2014A Bonds and Series 2014B Bonds mature on September 3, 2024 and are subject to mandatory sinking fund redemption prior to the maturity date. The bonds are also subject to optional redemption on any date from the date of issuance to maturity at the discretion of the District.

See independent auditor's report

**CENTRAL MARKSHEFFEL METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**4. LONG-TERM OBLIGATIONS (CONTINUED)**

The bonds are secured by and payable from the pledged revenues consisting of monies derived by the District from the following sources, net of any collection costs: (1) the required mill levy, (2) the portion of the specific ownership taxes which are collected as a result of the imposition of the required mill levy, and (3) any other legally available monies which the District determines to be treated as pledged revenues. The bonds are also secured by amounts held by the trustee in the reserve fund. Required mill levy means an ad valorem mill levy imposed upon all taxable property of the District each year in an amount sufficient to pay the principal, premium if any, and interest on the bonds as the same become due and payable and to make up any deficiencies in the reserve fund. The maximum required mill levy is 30.000 mills, adjusted for changes in the ratio of actual value to assessed value of property within the District. For collection year 2017, the District levied 5.000 mills for the general fund and 25.000 mills for the debt service fund.

The District is required, pursuant to the bond agreements, to maintain project, surplus, loan payment, reserve and cost of issuance cash accounts. The District is in compliance with the requirements as of December 31, 2017.

The following is a summary of long-term debt of the District during the year ended December 31, 2017:

	Balance 01/01/17	Additions	Repayments	Balance 12/31/17	Due within one year
2014A Series	\$ 10,590,000	\$ -	\$ 305,000	\$ 10,285,000	\$ 315,000
2014B Series	1,000,000	-	-	1,000,000	-
	<u>\$ 11,590,000</u>	<u>\$ -</u>	<u>\$ 305,000</u>	<u>\$ 11,285,000</u>	<u>\$ 315,000</u>

The District's long-term obligation on the 2014A and 2014B Series will mature as follows:

Year Ending December 31,	Principal	Interest	Total
2018	\$ 315,000	\$ 333,479	\$ 648,479
2019	325,000	324,218	649,218
2020	340,000	314,663	654,663
2021	350,000	304,667	654,667
2022	365,000	294,377	659,377
2023-2024	9,590,000	489,515	10,079,515
Total	<u>\$ 11,285,000</u>	<u>\$ 2,060,919</u>	<u>\$ 13,345,919</u>

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**CENTRAL MARKSHEFFEL METROPOLITAN DISTRICT**  
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**5. NET POSITION**

The District has a net position consisting of two components - restricted and unrestricted.

Restricted positions include net position that are subject to restrictions for use either by external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had restricted net position as of December 31, 2017 as follows:

Restricted net position:

Emergencies (see Note 9)	\$ 3,225
Debt service (see Note 4)	<u>1,701,709</u>
	<u><u>\$ 1,704,934</u></u>

The District's unrestricted net position as of December 31, 2017 totaled a deficit of \$10,751,115. This deficit amount was a result of the District being responsible for the repayment of general obligation bonds. These bonds were issued to refinance prior debt and to fund the costs of providing certain public improvements for the District. These improvements were contributed to the County upon completion.

**6. RELATED PARTIES**

Some members of the board of directors are officers, employees or associated with the developers of the property within the District and may have conflicts of interest in dealing with the District.

**7. INTERGOVERNMENTAL AGREEMENT**

Transportation Impact Fee and Public Improvement Agreement

In June of 2004, the District entered into a Transportation Impact Fee and Public Improvement Agreement with the County for the purpose of the District securing fair and equitable participation in the Marksheffel improvements from out-of-District properties identified within the area serviced by the improvements. Under the agreement, the County is to prepare an Off-Site Road Study and Plan to formalize and adopt a methodology for determining the fair and equitable financial participation in the Marksheffel improvements by the service area property, the result of which will be for the County to impose a Transportation Impact Fee on any service area property required to go through the subdivision process. Such fees will represent fair and equitable share of costs attributable to the out-of-District property as determined by the County, and will be remitted to the District by the end of the month following their collection.

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**7. INTERGOVERNMENTAL AGREEMENT**

Transportation Impact Fee and Public Improvement Agreement (continued)

In November of 2012, the County and District entered into a first amendment to the agreement that relieves the County of its obligation to collect a contribution for the District's costs of construction for a portion of Marksheffel Road from certain properties outside the District's boundaries in favor of establishing a credit for the District within County's Road Impact Fee Program for regional road improvements previously built and to apply such credits first to the property within the District, and establish a reimbursable amount for the balance of the credit to be reimbursed by the County and paid to the District over time.

Intersection Agreement

In October of 2015, the District entered into an Intersection Agreement with the County for the purpose of funding the construction of intersection improvements at Meadowbrook Parkway and Marksheffel Road, which lies within the boundaries of the District. Under the agreement, the District transferred funds to the County for the future intersection improvements. The District's share of the improvements totaled \$234,412. The County has agreed to hold these funds in trust until construction on the intersection begins, and the County will also fund any costs in excess of the agreed upon total. In the event the County has not commenced construction of the intersection by October 15, 2019 the District may request return of these funds. The District's financial obligation under this agreement was fulfilled during 2015.

**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 contractors; or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool ("Pool") as of December 31, 2017. 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 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.

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**9. 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 within the State of Colorado.

Spending and revenue limits are determined based on the prior 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. The District's voters approved a ballot issue allowing the District to retain all revenues.

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 likely require judicial interpretation.

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## **SUPPLEMENTARY INFORMATION**



**CENTRAL MARKSHEFFEL METROPOLITAN DISTRICT**  
**DEBT SERVICE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**YEAR ENDED DECEMBER 31, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
<b>REVENUES</b>				
Property taxes	\$ 626,324	\$ 626,649	\$ 626,649	\$ -
Specific ownership taxes	43,843	84,856	84,856	-
Impact fees	70,860	238,752	238,752	-
Grant revenues	100,000	273,633	273,633	-
Net investment income	1,150	9,477	10,743	1,266
<b>Total revenues</b>	<b>842,177</b>	<b>1,233,367</b>	<b>1,234,633</b>	<b>1,266</b>
<b>EXPENDITURES</b>				
Bank charges	3,600	2,000	-	2,000
Treasurer's fees	9,395	9,400	9,400	-
Bond principal	305,000	305,000	305,000	-
Interest	342,446	347,202	347,202	-
Contingency	-	6,000	-	6,000
<b>Total expenditures</b>	<b>660,441</b>	<b>669,602</b>	<b>661,602</b>	<b>8,000</b>
Revenues in excess (deficit) of expenditures	181,736	563,765	573,031	9,266
<b>Net change in fund balance</b>	<b>\$ 181,736</b>	<b>\$ 563,765</b>	<b>\$ 573,031</b>	<b>\$ 9,266</b>
Fund balance, beginning of year			1,156,468	
Fund balance, end of year			<b>\$ 1,729,499</b>	

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