

ERIE COMMONS METROPOLITAN DISTRICT NO. 1

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

**ERIE COMMONS METROPOLITAN DISTRICT NO. 1
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2017**

| | |
|--|-----------|
| INDEPENDENT AUDITORS' REPORT | 1 |
| MANAGEMENT'S DISCUSSION AND ANALYSIS | 3 |
| BASIC FINANCIAL STATEMENTS | |
| GOVERNMENT-WIDE FINANCIAL STATEMENTS | |
| STATEMENT OF NET POSITION | 8 |
| STATEMENT OF ACTIVITIES | 9 |
| FUND FINANCIAL STATEMENTS | |
| BALANCE SHEET | 10 |
| RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUND TO THE STATEMENT OF NET POSITION | 11 |
| STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUND | 12 |
| RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES | 13 |
| NOTES TO FINANCIAL STATEMENTS | 14 |
| REQUIRED SUPPLEMENTARY INFORMATION | |
| SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND | 26 |

INDEPENDENT AUDITORS' REPORT

Board of Directors
Erie Commons 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 Erie Commons 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 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 Erie Commons Metropolitan District No. 1 as of December 31, 2017, 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 31, 2014. 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, by entering into a financing agreement with the Developer on February 3, 2016. Based on this ability, the District has excluded this BAN from current liabilities as of December 31, 2017. 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 2017. Our opinions are not modified with respect to this matter.

Restatement due to Error

As described in Note 1 to the financial statements, the District corrected an error made in the prior year. As a result, the District reported a restatement of net position for the correction. Our opinions were not modified with respect to the restatement.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison information on pages 3-7 and page 26 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



CliftonLarsonAllen LLP

Greenwood Village, Colorado
February 26, 2018

**ERIE COMMONS METROPOLITAN DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**

The discussion and analysis is designed to provide an analysis of the District's financial condition and operating results and to inform the reader on the District's financial issues and activities.

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

Financial Highlights

- The net position of the District decreased by \$2,378,071 in 2017, to \$(36,277,780). An overall net deficit is typical in a metropolitan district, which transfers its capital assets to another government entity (city, town, etc.) after construction is complete but retains the related debt in the district until it is paid off.
- Budgeted expenditures exceeded actual expenditures by \$384,463 principally due to lower than projected capital expenditures.
- The District has three bond issues outstanding, the Series 2009 Limited Tax Supported Revenue Refunding Bond, which is scheduled to be fully retired in 2034; the 2010 Bond Anticipation Note, which matured in December 2014 and the 2018 Limited Tax Revenue Promissory Note, which matures in December 2018.

Overview of the Financial Statements

Management's discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The basic financial statements, presented on pages 8-25 are comprised of three components: 1) Government-wide financial statements, 2) Fund financial statements, and 3) Notes to the basic financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves, presented on page 26.

Government-wide Financial Statements

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

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

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

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

**ERIE COMMONS METROPOLITAN DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017**

Fund Financial Statements

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

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

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

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

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

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

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes can be found on pages 14-25 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also contains required supplementary information concerning the District's budgetary comparisons. Required supplementary information can be found on page 27 of this report.

**ERIE COMMONS METROPOLITAN DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017**

Government-wide Financial Analysis

Government-wide Net Position

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

Capital assets are used in the operations of the District. These assets represent the construction in progress of the District. Capital assets increased by \$140,162 during the current year. There were \$140,162 capital assets conveyed to the Town of Erie in 2017.

Current and noncurrent liabilities are classified based on anticipated liquidation either in the near-term or in the future. Current liabilities include accounts payable and current portion of long-term debt. The liquidation of current liabilities is anticipated to be either from current available resources, current assets or new resources that become available during fiscal year 2018.

The liabilities of the primary government activities exceed assets by \$36,277,780, with an unrestricted net position of (\$36,297,037). The District has \$19,257 restricted for emergencies as required by Article X, Section 20 of the Constitution of the State of Colorado.

Government-wide Total Assets as compared to Total Liabilities and Total Net Position:

| | Net Position | |
|--------------------------|-----------------|-----------------|
| | 2017 | 2016 |
| Assets: | | |
| Current | \$ 636,238 | \$ 514,897 |
| Construction in Progress | - | 1,570,404 |
| Total Assets | 636,238 | 2,085,301 |
| Liabilities: | | |
| Current | 3,021 | 1,807 |
| Noncurrent | 36,910,997 | 35,983,203 |
| Total Liabilities | 36,914,018 | 35,985,010 |
| Net Position: | | |
| Restricted | 19,257 | 15,410 |
| Unrestricted | (36,297,037) | (33,915,119) |
| Total Net Position | \$ (36,277,780) | \$ (33,899,709) |

**ERIE COMMONS METROPOLITAN DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017**

Government-wide Activities

All of the District's programs and services are reported as governmental activities. Government activities increased the deficit of the net position of the District by \$807,667. The details of this decrease in net position are shown in the following schedule:

The District's Changes in Net Position

| | Governmental Activities | |
|---|-------------------------|-----------------|
| | 2017 | 2016 |
| Revenues: | | |
| General Revenue: | | |
| Intergovernmental Revenue | \$ 1,309,438 | \$ 1,264,897 |
| Investment Income | 1,896 | 2,022 |
| Total Revenue | 1,311,334 | 1,266,919 |
| Expenses: | | |
| Governmental Activities: | | |
| General Government | 64,824 | 75,102 |
| Public Works | 140,162 | - |
| Interest and Other Fiscal Charges | 1,914,015 | 1,915,424 |
| Total Expense | 2,119,001 | 1,990,526 |
| Total Change in Net Position | (807,667) | (723,607) |
| Net Position - Beginning of Year (as Previously Stated) | (33,899,709) | (33,176,102) |
| Adjustment to Beginning Net Position (Note 1) | (1,570,404) | - |
| Net Position - Beginning of Year (as Restated) | (35,470,113) | (33,176,102) |
| Net Position - End of Year | \$ (36,277,780) | \$ (33,899,709) |

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

- Intergovernmental revenue increased by \$44,541 from fiscal year 2016, primarily because of increased transfers from Erie Commons Metropolitan District No. 2 (District No. 2).
- The District's beginning net position was restated by (\$1,570,404) due to assets that were conveyed in prior years but not reflected in the statement of net position. See Note 1. In 2017, the District conveyed \$140,162 of improvements to the Town of Erie.
- Expenses exceeded revenues by \$807,667 due to the payment of interest on outstanding debt.

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

**ERIE COMMONS METROPOLITAN DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017**

Financial Analysis of the District's Governmental Fund

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

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

As of the end of the current fiscal year, the District's one governmental fund, the general fund, reported an ending fund balance of \$636,238. Fund balance of \$626,415 is restricted for emergencies and debt service. Nonspendable fund balance of \$6,802 is made up of pre-paid items that will benefit a future period.

The general fund is the chief operating fund of the District. As a measure of the general fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Actual expenditures of the general fund amounted to \$1,329,424. Total general fund balance represents 47.63% of expenditures.

General Fund Budgetary Highlights

The fund balance for the general fund increased by \$120,127, resulting in an ending fund balance of \$633,217. Budget revenue exceeded actual revenue by \$85,394. The largest variance was in intergovernmental transfers from District No. 2. Actual expenditures were \$384,463 less than budgeted expenditures, principally due to capital expenditures being lower than expected.

Economic Factors and Next Year's Budgets and Rates

- \$505,000 in capital expenditures are expected in 2018.
- The assessed value of the debt district, District No. 2, has increased by \$1,133,510 from the prior year primarily due to an increase in home values.

Requests for Information

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

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

ERIE COMMONS METROPOLITAN DISTRICT NO. 1
STATEMENT OF NET POSITION
DECEMBER 31, 2017

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| ASSETS | |
| Cash and Investments | \$ 129,436 |
| Restricted Cash and Investments | 500,000 |
| Prepaid Items | 6,802 |
| Total Assets | <u>636,238</u> |
| LIABILITIES | |
| Accounts Payable and Retainage Payable | 3,021 |
| Noncurrent Liabilities: | |
| Due Within the Year: | |
| Accrued Interest | 11,815,567 |
| 2009 Limited Tax Supported Revenue Refunding Bonds | 240,000 |
| 2013 Limited Tax Revenue Promissory Note | 1,424,195 |
| Due in More Than One Year: | |
| Developer Advances | 1,301,235 |
| 2010 Bond Anticipation Notes | 15,275,000 |
| 2009 Limited Tax Supported Revenue Refunding Bonds | 6,855,000 |
| Total Liabilities | <u>36,914,018</u> |
| NET POSITION | |
| Restricted for TABOR | 19,257 |
| Unrestricted | <u>(36,297,037)</u> |
| Total Net Position | <u><u>\$ (36,277,780)</u></u> |

See accompanying Notes to Financial Statements.

**ERIE COMMONS METROPOLITAN DISTRICT NO. 1
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017**

| Functions/Programs | Expenses | Program Revenue | Net (Expense) Revenue and Changes in Net Position <u>Governmental Activities</u> |
|---|--------------|--------------------|--|
| Governmental Activities: | | | |
| General Government | \$ 64,824 | \$ - | \$ (64,824) |
| Public Works | 140,162 | - | (140,162) |
| Interest and Related Costs on Long-Term Debt | 1,914,015 | - | (1,914,015) |
| | \$ 2,119,001 | \$ - | (2,119,001) |
| General Revenues: | | | |
| Net Investment Income | | | 1,896 |
| Intergovernmental Revenue - District No. 2 | | | 1,309,438 |
| Total General Revenues | | | 1,311,334 |
| Change in Net Position | | | (807,667) |
| Net Position - Beginning of Year (as Previously Stated) | | | (33,899,709) |
| Adjustment to Beginning Net Position (Note 1) | | | (1,570,404) |
| Net Position - Beginning of Year (as Restated) | | | (35,470,113) |
| Net Position - End of Year | | | \$ (36,277,780) |

See accompanying Notes to Financial Statements.

**ERIE COMMONS METROPOLITAN DISTRICT NO. 1
BALANCE SHEET
DECEMBER 31, 2017**

| | <u>General Fund</u> |
|--|--------------------------|
| ASSETS | |
| Unrestricted Cash and Investments | \$ 129,436 |
| Restricted Cash and Investments | 500,000 |
| Prepaid Items | <u>6,802</u> |
| Total Assets | <u><u>\$ 636,238</u></u> |
| LIABILITIES AND FUND BALANCE | |
| LIABILITIES | |
| Accounts Payable and Retainage Payable | <u>\$ 3,021</u> |
| Total Liabilities | 3,021 |
| FUND BALANCE | |
| Nonspendable | 6,802 |
| Restricted for TABOR | 19,257 |
| Restricted for Debt Service | <u>607,158</u> |
| Total Fund Balance | <u>633,217</u> |
| Total Liabilities and Fund Balance | <u><u>\$ 636,238</u></u> |

See accompanying Notes to Financial Statements.

**ERIE COMMONS METROPOLITAN DISTRICT NO. 1
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUND TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2017**

| | | |
|--|----|------------------------|
| Total Fund Balance - Total Governmental Fund | \$ | 633,217 |
| <p>Amounts reported for governmental activities in the statement of net position are different because:</p> | | |
| <p>Accrued interest payable is recognized for governmental activities, but is not due and payable in the current period and, therefore, is not reported as a liability in the governmental fund.</p> | | (11,815,567) |
| <p>Some liabilities, including bonds and notes payable, are not due in the current period and, therefore, are not reported in the fund balance sheet.</p> | | |
| Developer Advances | | (1,301,235) |
| 2009 Limited Tax Supported Revenue Refunding Bonds | | (7,095,000) |
| 2010 Bond Anticipation Note | | (15,275,000) |
| 2013 Limited Tax Revenue Promissory Note | | (1,424,195) |
| | | <u>(25,095,430)</u> |
| Net Position of Governmental Activities | | <u>\$ (36,277,780)</u> |

See accompanying Notes to Financial Statements.

**ERIE COMMONS METROPOLITAN DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – GOVERNMENTAL FUND
YEAR ENDED DECEMBER 31, 2017**

| | General Fund |
|--|-----------------|
| REVENUES | |
| Intergovernmental - Erie Commons Metropolitan District No. 2 | \$ 1,309,438 |
| Investment Income | 1,896 |
| Total Revenues | 1,311,334 |
| EXPENDITURES | |
| Current: | |
| Intergovernmental - Erie Commons Metropolitan District No. 2 | 11,401 |
| Audit and Accounting | 25,886 |
| Insurance | 2,788 |
| Legal | 14,897 |
| Other | 9,252 |
| Debt Service: | |
| Trustee Fees | 600 |
| Principal | 230,000 |
| Interest | 894,438 |
| Capital Outlay | 140,162 |
| Total Expenditures | 1,329,424 |
| (DEFICIENCY) OF REVENUE OVER EXPENDITURES | (18,090) |
| OTHER FINANCING SOURCES | |
| Promissary Note | 138,217 |
| Total Other Financing Sources | 138,217 |
| NET CHANGE IN FUND BALANCE | 120,127 |
| Fund Balance - Beginning of Year | 513,090 |
| FUND BALANCE - END OF YEAR | \$ 633,217 |

See accompanying Notes to Financial Statements.

**ERIE COMMONS 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, 2017**

| | | |
|---|----|-------------------------|
| Net Change in Fund Balance - Total Governmental Fund | \$ | 120,127 |
| <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 net position at cost.</p> | | |
| Capital Outlay | | 140,162 |
| <p>The issuance of long-term debt provides current financial resources to governmental fund, but issuing debt increases long-term liabilities in the statement of net position.</p> | | |
| Promissory Note | | (138,217) |
| <p>The repayment of the principal on long term debt consumes the current financial resources of governmental fund. This transaction, however, does not have any effect on net position. Also, accrued interest expense reported in the statement of activities does not require the use of current financial resources and therefore, is not reported as an expenditure in the governmental fund.</p> | | |
| Repayment of Long-Term Debt | | 230,000 |
| Accrued Interest | | (1,019,577) |
| <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> | | |
| | | <u>(140,162)</u> |
| Change in Net Position of Governmental Activities | \$ | <u><u>(807,667)</u></u> |

See accompanying Notes to Financial Statements.

ERIE COMMONS METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1 DEFINITION OF REPORTING ENTITY

Erie Commons Metropolitan District No. 1 (District), a quasi-municipal corporation and political subdivision of the State of Colorado, was organized by order and decree of the District Court, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District operates under a Consolidated Service Plan with Erie Commons Metropolitan District No. 2 (District No. 2) approved by the Town of Erie on July 8, 2003 and as amended on January 4, 2005. Pursuant to the Service Plan, District No. 2, the financing district, is intended to provide funding to District No. 1, the operating district, for construction, operation and maintenance of the public improvements, while District No. 1 is intended to manage the financial, construction and operation and maintenance of such improvements. The operating district is economically dependent upon intergovernmental revenue received from the financing district.

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 or the Homeowner's Association (HOA) 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 and the Town of Erie.

Prior Period Adjustment

Assets were identified as not being properly conveyed in the amount of \$1,570,404 in prior years. As such, a prior period adjustment has been made to reduce beginning net position for fiscal year 2017.

ERIE COMMONS METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Government-Wide and Fund Financial Statements

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

The statement of net position presents information about all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The difference is reported as the net position. In previous years, the District transferred the ownership of certain public infrastructure improvements to the Town of Erie or the HOA for maintenance responsibility. The District is responsible for the repayment of bonds issued to construct the aforementioned improvements. Consequently, a net deficit balance is reflected on the District's statement of net position as of December 31, 2017.

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 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.

ERIE COMMONS METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

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. The adopted budgets for the General Fund, Capital Projects Fund, and Debt Service Fund have been consolidated and reflected as the General Fund budget for financial reporting purposes.

Capital Assets

Capital assets consist entirely of construction projects in process that will be conveyed to the Town of Erie or the HOA once completed. Therefore, no depreciation is calculated on these assets.

Park Improvement Fees

Pursuant to a Fee Resolution duly adopted by the Board of Directors, units of the development shall make a fee-in-lieu payment of at the time of building permit issuance to the District for reimbursement of the park improvements to the 7 acre Neighborhood Park.

Fund Balance

As of December 31, 2017, fund balances of governmental funds are classified as follows:

Nonspendable – 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.

ERIE COMMONS METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Fund Balance (Continued)

Emergency Reserves have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado. In compliance with this requirement, \$19,257 of the General Fund balance has been restricted.

Fund balance of \$500,000 is restricted to meet contractual commitments under the Series 2009 Limited Property Tax Supported Revenue Refunding Bonds (see Note 6).

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, 2017 consist of the following:

| | |
|----------------------------|-------------------|
| Deposits | \$ 628,834 |
| Investments | 602 |
| Total Cash and Investments | <u>\$ 629,436</u> |

Cash Deposits

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

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

At December 31, 2017, the District's cash deposits had a carrying balance of \$628,834.

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.

ERIE COMMONS METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

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

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

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

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

| <u>Investment</u> | <u>Maturity</u> | <u>Fair Value</u> |
|-------------------|--------------------|-------------------|
| Colotrust | Less than One Year | <u>\$ 602</u> |

At December 31, 2017, the District had invested \$602 in the Colotrust Plus Fund. Colotrust is an investment vehicle established by state statute for local government entities to pool surplus assets. The State securities commissioner administers and enforces all state statutes governing Colotrust. The Fund invests in commercial paper, collateralized bank deposits, U.S. Treasury securities, Federal instrumentality securities, Agency securities, repurchase agreements, and commercial paper. The Fund operates similarly to a money market fund and each share is equal in value to \$1.00. The trust is rated AAAM by Standard & Poor's and has a weighted average maturity of 63 days. The fund is being measured at net asset value. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

Fair Value

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 valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices; Level 3 inputs are significant unobservable inputs.

**ERIE COMMONS METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 4 CONSTRUCTION IN PROCESS

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

| | Balance at January 1, 2017, as restated | Additions | Reductions | Balance at December 31, 2017 |
|--------------------------|---|------------|------------|------------------------------------|
| Construction in Progress | \$ - | \$ 140,162 | \$ 140,162 | \$ - |

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 2017, the District incurred \$140,162 in warranty costs on the Maxwell Street improvements. The improvements have been conveyed to the Town of Erie.

NOTE 5 RELATED PARTY

All three members of the Board of Directors are employees or are associated with Bellock Construction Company, construction manager and accountants for the District, and Community Development Group of Erie, Inc. (CDG of Erie, Inc.), the developer within the District. During 2017, Districts No. 1 and No. 2 had two of three of the same Board of Directors (see Notes 6 and 7).

Construction Management Agreement

A construction management agreement was entered into during 2004 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 Erie Commons Metropolitan Districts No. 1 and No. 2.

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 2017 for construction management was \$1,945.

Accounting Services Agreement

An accounting services contract was entered into with Bellock Construction Company on March 25, 2004. Under this agreement, accounting services are provided to both District No. 1 and District No. 2 at the hourly rates of Bellock Construction Company employees. During 2017, the District incurred accounting services fees in the amount of \$12,387.

ERIE COMMONS METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 6 LONG-TERM OBLIGATIONS

The District's long-term obligations consist of the following for the year ended December 31, 2017:

| | Balance at January 1, 2017 | Additions | Reductions | Balance at December 31, 2017 | Due Within One Year |
|---|----------------------------------|---------------------|---------------------|------------------------------------|---------------------------|
| Developer Advances | \$ 1,301,235 | \$ - | \$ - | \$ 1,301,235 | \$ - |
| 2009 Limited Tax Supported Revenue Bonds | 7,325,000 | - | 230,000 | 7,095,000 | 240,000 |
| 2010 Bond Anticipation Note | 15,275,000 | - | - | 15,275,000 | - |
| 2018 Limited Tax Revenue Promissory Note | 1,285,978 | 138,217 | - | 1,424,195 | 1,424,195 |
| Accrued Interest | 10,795,990 | 1,914,015 | 894,438 | 11,815,567 | 11,815,567 |
| Total | <u>\$ 35,983,203</u> | <u>\$ 2,052,232</u> | <u>\$ 1,124,438</u> | <u>\$ 36,910,997</u> | <u>\$ 13,479,762</u> |

Developer Advances

During 2005, the District entered into the 2005 restated loan agreement for capital costs with CDG of Erie, Inc., the developer, which was amended in 2009, pursuant to which the developer agreed to advance the District up to \$17,500,000 for eligible costs as defined by the Districts. Most of the advances made during 2005 were subsequently repaid with the issuance of bond anticipation notes (see below). The developer advances under the restated agreement carry interest at 8.5% per annum. In March 2010, the interest rate decreased to 0%. The repayment of the advances is subordinate to the repayment of the 2010 Bond Anticipation Note and 2009 Bonds. In March 2010, \$10,000,582 of the developer advances were refunded with the proceeds of the 2010 Bond Anticipation note. A limited portion of the remaining developer advances was for operation/administrative costs and the remaining portion was for capital.

\$8,500,000 2009 Limited Tax Supported Revenue Refunding Bonds

On August 1, 2009, the District issued \$8,500,000 of Limited Tax Supported Revenue Refunding Bonds to refund the 2004 Revenue and Limited Obligation Promissory Notes for \$4,000,000 and the 2005 Revenue and Junior Limited Tax Obligation Promissory Notes for \$2,000,000. The interest is due semi-annually on June 1 and December 1, and the principal is due annually on December 1.

The District incurred \$491,814 in interest expense for the year ended December 31, 2017 for these bonds. The bonds are term bonds. The term bonds have an interest rate of 6.75% and mature on December 1, 2034. The bonds are subject to mandatory sinking fund redemptions. Bonds maturing on or before December 1, 2018 are not subject to redemption prior to their respective maturity dates. Bonds maturing on and after December 1, 2019 are subject to redemption prior to their maturities, at the option of the District, on December 1, 2019 and on any date thereafter. Pledged Revenue consists of Property Tax Revenues and Specific Ownership Tax Revenues, all derived from the limited exercise of the ad valorem taxing power of Erie Commons Metropolitan District No. 2. The bonds are also secured by amounts on deposit in the Reserve Fund and, under any circumstance, moneys on deposit in the Restricted Project Fund, if any, will be used to pay the bonds.

**ERIE COMMONS METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 6 LONG-TERM OBLIGATIONS (CONTINUED)

\$8,500,000 2009 Limited Tax Supported Revenue Refunding Bonds (Continued)

The 2009 Limited Tax Supported Revenue Refunding Bonds will mature as follows:

| <u>Year Ending December 31,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------------------|---------------------|---------------------|----------------------|
| 2018 | \$ 240,000 | \$ 478,912 | \$ 718,912 |
| 2019 | 255,000 | 462,712 | 717,712 |
| 2020 | 270,000 | 445,500 | 715,500 |
| 2021 | 285,000 | 427,275 | 712,275 |
| 2022 | 300,000 | 408,038 | 708,038 |
| 2023-2027 | 1,765,000 | 1,713,488 | 3,478,488 |
| 2028-2032 | 2,305,000 | 1,050,976 | 3,355,976 |
| 2032-2034 | 1,675,000 | 189,001 | 1,864,001 |
| Total | <u>\$ 7,095,000</u> | <u>\$ 5,175,902</u> | <u>\$ 12,270,902</u> |

\$15,275,000 Bond Anticipation Notes

In March 2010, the District issued one or more series of subordinate notes, in a total principal amount not to exceed \$15,275,000, to be issued to the Developer to refund the Series 2005 Bond Anticipation Note and for outstanding amounts previously advanced to the District by the Developer for capital costs. The bond anticipation note shall incur interest payable on December 31, starting on December 31, 2010 at an annual interest rate of 8.5% per annum. The repayment of the 2010 Bond Anticipation Notes will be subordinate to any outstanding senior bonds. The 2010 Bond Anticipation Notes matured on December 31, 2014. The District has the ability to consummate the outstanding Note in accordance with GASB No. 62, Paragraph 39 by entering into a financing agreement with the Developer on February 3, 2016. Based on this ability, the District has excluded the Note from current liabilities as of December 31, 2017. 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 2017. Interest will continue to accrue until one of those requirements is met. Total interest charged to expense for the 2010 Bond Anticipation Notes was \$1,300,841 for the year ended December 31, 2017.

\$1,424,195 2018 Limited Revenue Promissory Note

Pledged In connection with the Improvement Acquisition Agreement (Note 7), in 2013 the District issued a promissory note for \$1,285,978 bearing annual interest at 8.5% as reimbursement for costs incurred by Shea Homes (see Note 7). In 2017 the district issued a new note in the amount of \$1,424,195 which increased the amount of principal by \$138,217 from the 2013 note. The note is subordinate to the Limited Tax Supported Revenue Bonds and will be paid if and when the District collects sufficient revenues to pay down the Bond Anticipation Note on a parity prorata basis relative to principal. As the District has utilized all of the service plan debt limit authority, the note is a nonmulti year debt instrument, which is appropriated annually.

**ERIE COMMONS METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 6 LONG-TERM OBLIGATIONS (CONTINUED)

\$1,424,195 2018 Limited Revenue Promissory Note (Continued)

Total interest charged to expense for the 2013 Promissory Note was \$121,360 for the year ended December 31, 2017.

| <u>Year Ending December 31,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------------------|---------------------|-------------------|---------------------|
| 2018 | \$ 1,424,195 | \$ 352,306 | \$ 1,776,501 |
| Total | <u>\$ 1,424,195</u> | <u>\$ 352,306</u> | <u>\$ 1,776,501</u> |

Debt Authorization

The District voters approved \$186,000,000 of revenue obligation debt in 2005 at an interest rate not to exceed 18% per annum. At December 31, 2017, the District had remaining authorized but unissued indebtedness of \$162,765,000 for parks and recreation, streets and traffic controls, water, sewer and storm drainage, and safety or refunding the obligations issued for such purposes. In the future, the District may issue a portion or all of the remaining authorized but unissued general obligation debt for purposes of providing public improvements to support development as it occurs within the District's service area.

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

District Facilities Construction and Service Agreement

In order to implement the Service Plan, the District entered into an intergovernmental agreement with District No. 2. The agreement shall remain in full force and effect until such time as each of the terms and conditions have been performed in their entirety or until the agreement is terminated by mutual written agreement by both Districts.

The District is to construct the facilities benefiting the two Districts and transfer them to the Town of Erie or the HOA. District No. 2 will, to the extent that it is to benefit, pay the capital costs and the service costs of operation and maintenance of such facilities.

District No. 2 is required to fund, on an annual basis, the amount of actual service costs that it would be capable of funding through property tax revenue plus other fee revenue as determined in the annual budget. If the District disagrees as to the amount to be paid, then District No. 2 must pay District No. 1 the amount set forth in the annual budget as long as the property tax mill rate does not exceed 55.275 mills.

Improvement Acquisition Agreement, Shea Homes Limited Partnership

In 2013, the District entered into an improvement acquisition agreement with Shea Homes Limited Partnership (Shea Homes). Under the terms of the proposed agreement, Shea Homes is to fund costs related to the construction of certain improvements located in Erie, Colorado. The District will agree to acquire the improvements completed by Shea Homes and to reimburse Shea Homes for any reasonable costs that it incurs related to the construction of the improvements. These improvements consist of public infrastructure necessary to benefit the District.

ERIE COMMONS METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

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

Maintenance and Warranty of Public Improvements

In 2010, Community Development Group of Erie, Inc. (CDG of Erie, Inc) entered into a Development Agreement with the Town of Erie. As part of the agreement, CDG of Erie, Inc. on behalf of the District, was required to enter into an Improvement Guarantee (Guarantee) for a period of time sufficient to cover the completion of the public improvements. If CDG of Erie, Inc. is unable to complete the improvements then the Town of Erie has the right to call upon the Guarantee. The Guarantee could be in the form of cash, certified check, or a letter of credit.

The amount of the Guarantee shall be 115% of the total estimated costs including labor and material of all the public improvements to be constructed per the agreement. As of the date of the agreement, September 28, 2010, the estimated cost of the improvements was \$2,730,451. As of December 31, 2017, the estimate to complete the improvements is \$823,103 and the remaining balance of the letters of credit are \$823,103.

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, 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 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.

ERIE COMMONS METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 9 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.

On November 5, 2005 and November 4, 2003, 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 NET POSITION

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

Restricted net position includes net assets that are restricted for use either externally 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 at December 31, 2017 of \$19,257 for TABOR.

Unrestricted net position totaled (\$36,297,037). This deficit is caused by the District financing infrastructure costs and conveying the infrastructure to the Town of Erie while retaining the debt used to finance the infrastructure assets. The District receives transfers of property tax from Erie Commons Metropolitan District No. 2, which is levied for ongoing debt service obligations.

The District currently receives funding from District No. 2 to fund its debt service payments as described in Note 6. District No. 2's property tax revenue for fiscal year 2017 was sufficient for the required debt service of the 2009 Limited Tax Supported Revenue Bonds for fiscal year 2017. The 2018 expected property tax revenue should be sufficient to meet the required debt service payments for fiscal year 2018. The District's obligation to repay the 2010 BAN came due in December 2014. The District did not restructure the 2010 BAN in 2015 and has the ability to consummate the outstanding Note in accordance with GASB No. 62, Paragraph 39 by entering into a financing agreement with the Developer on February 3, 2016.

Based on this ability, the District has excluded the Note from current liabilities as of December 31, 2017.

The 2010 BAN will remain on the District's statement of net position as long-term debt until the obligation is paid. The District's obligation to the Developer and for the Promissory Note will be paid as funds become available from future growth. Depending on the future rate of growth, the District may be required to restructure its Developer debt.

REQUIRED SUPPLEMENTARY INFORMATION

**ERIE COMMONS METROPOLITAN DISTRICT NO. 1
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED 2017**

| | Original and Final Budgeted Amounts | Actual | Variance with Final Budget Positive (Negative) |
|--|--|-------------------|---|
| REVENUES | | | |
| Intergovernmental - Erie Commons | | | |
| Metropolitan District No. 2 | \$ 1,224,440 | \$ 1,309,438 | \$ 84,998 |
| Investment Income | 1,500 | 1,896 | 396 |
| Total Revenues | <u>1,225,940</u> | <u>1,311,334</u> | <u>85,394</u> |
| EXPENDITURES | | | |
| Current: | | | |
| Intergovernmental - Erie Commons | | | |
| Metropolitan District No. 2 | 12,650 | 11,401 | 1,249 |
| Audit and Accounting | 29,000 | 25,886 | 3,114 |
| Insurance | 5,000 | 2,788 | 2,212 |
| Legal | 25,000 | 14,897 | 10,103 |
| Other | 12,800 | 9,252 | 3,548 |
| Debt Service: | | | |
| Trustee Fees | - | 600 | (600) |
| Principal Payments | 230,000 | 230,000 | - |
| Interest | 894,437 | 894,438 | (1) |
| Capital Outlay | 505,000 | 140,162 | 364,838 |
| Total Expenditures | <u>1,713,887</u> | <u>1,329,424</u> | <u>384,463</u> |
| EXCESS REVENUES OVER (UNDER) EXPENDITURES | (487,947) | (18,090) | 469,857 |
| OTHER FINANCING SOURCES | | | |
| Promissary Note | 500,000 | 138,217 | (361,783) |
| Total Other Financing Sources | <u>500,000</u> | <u>138,217</u> | <u>(361,783)</u> |
| Fund Balances - Beginning of Year | <u>512,393</u> | <u>513,090</u> | <u>697</u> |
| FUND BALANCES - END OF YEAR | <u>\$ 524,446</u> | <u>\$ 633,217</u> | <u>\$ 108,771</u> |