

**CATHEDRAL PINES METROPOLITAN DISTRICT**

**FINANCIAL STATEMENTS**

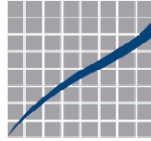
**DECEMBER 31, 2016**



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**BiggsKofford**  
CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

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Board of Directors  
**Cathedral Pines 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 Cathedral Pines Metropolitan District ("District") as of and for the year ended December 31, 2016, 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, 2016, 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  
September 29, 2017

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## **BASIC FINANCIAL STATEMENTS**

**CATHEDRAL PINES METROPOLITAN DISTRICT**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2016**

	<u><b>Governmental Activities</b></u>
<b><u>ASSETS</u></b>	
Cash and investments	\$ 119,300
Cash and investments - restricted	153,118
Accounts receivable - County Treasurer	3,923
Property taxes receivable	402,084
Other receivables	7,900
Capital assets:	
Capital assets, net	<u>1,435,798</u>
 Total assets	 <u>2,122,123</u>
<b><u>LIABILITIES</u></b>	
Accounts payable	59,961
Accrued liabilities	26,548
Accrued interest payable	18,738
Noncurrent liabilities:	
Bonds payable - due within one year	90,000
Bonds payable - due in more than one year	<u>5,068,098</u>
 Total liabilities	 <u>5,263,345</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>	
Deferred tax revenues	<u>402,084</u>
 Total deferred inflows of resources	 <u>402,084</u>
<b><u>NET POSITION</u></b>	
Invested in capital assets, net of related debt	(803,863)
Restricted for:	
Debt service	137,067
Emergency reserve	8,054
Unrestricted	<u>(2,884,564)</u>
 Total net position	 <u><u>\$ (3,543,306)</u></u>

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



**CATHEDRAL PINES METROPOLITAN DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2016**

	<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	\$ 356,557	\$ -	\$ -	\$ -	\$ (356,557)
Fire damage and reimbursements	-	-	80,172	-	80,172
Interest and related costs on long-term debt	697,153	-	-	-	(697,153)
<b>Total primary government</b>	<b>\$ 1,053,710</b>	<b>\$ -</b>	<b>\$ 80,172</b>	<b>\$ -</b>	<b>(973,538)</b>
<b>GENERAL REVENUES:</b>					
Property taxes					392,566
Specific ownership taxes					45,172
HOA reimbursements					9,960
Rental income					162,570
Investment earnings					1,107
<b>Total general revenues</b>					<b>611,375</b>
<b>Changes in net position</b>					<b>(362,163)</b>
<b>Net position, beginning of year</b>					<b>(3,181,143)</b>
<b>Net position, end of year</b>					<b>\$ (3,543,306)</b>

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

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**CATHEDRAL PINES METROPOLITAN DISTRICT**  
**BALANCE SHEETS**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2016**

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Total Governmental Funds</b>
<b><u>ASSETS</u></b>			
Cash and investments	\$ 119,300	\$ -	\$ 119,300
Cash and investments - restricted	-	153,118	153,118
Accounts receivable - County Treasurer	1,236	2,687	3,923
Property taxes receivable	126,684	275,400	402,084
Other receivables	7,900	-	7,900
<b>Total assets</b>	<b><u>\$ 255,120</u></b>	<b><u>\$ 431,205</u></b>	<b><u>686,325</u></b>
<b><u>LIABILITIES</u></b>			
Accounts payable	59,961	-	59,961
Accrued liabilities	26,548	-	26,548
<b>Total liabilities</b>	<b><u>86,509</u></b>	<b><u>-</u></b>	<b><u>86,509</u></b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Deferred tax revenues	126,684	275,400	402,084
<b>Total deferred inflows of resources</b>	<b><u>126,684</u></b>	<b><u>275,400</u></b>	<b><u>402,084</u></b>
<b><u>FUND BALANCES</u></b>			
Restricted for:			
Debt service	-	155,805	155,805
Emergency reserve	8,054	-	8,054
Unassigned:			
General government	33,873	-	33,873
<b>Total fund balances</b>	<b><u>41,927</u></b>	<b><u>155,805</u></b>	<b><u>197,732</u></b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b><u>\$ 255,120</u></b>	<b><u>\$ 431,205</u></b>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Capital assets, net	1,435,798
Long-term liabilities, including developer advances payable and bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	
Bonds payable	(5,158,098)
Accrued interest payable	(18,738)
<b>Net position of governmental activities</b>	<b><u>\$ (3,543,306)</u></b>

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

**CATHEDRAL PINES METROPOLITAN DISTRICT**  
**STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2016**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b><u>REVENUES</u></b>			
Property taxes	\$ 123,685	\$ 268,881	\$ 392,566
Specific ownership taxes	14,231	30,941	45,172
Reimbursements	9,960	-	9,960
Rental income	162,570	-	162,570
Fire and flood FEMA and reimbursements	80,172	-	80,172
Net investment income	232	876	1,108
Total revenues	<u>390,850</u>	<u>300,698</u>	<u>691,548</u>
<b><u>EXPENDITURES</u></b>			
Current:			
Accounting	18,000	-	18,000
Bank charges	35	-	35
Cleaning	2,011	-	2,011
Event expense	49,690	-	49,690
Insurance	16,993	-	16,993
Landscape maintenance	26,718	-	26,718
Licenses and fees	1,921	5,278	7,199
Management expense	30,000	-	30,000
Office expense	1,715	-	1,715
Payroll taxes	1,752	-	1,752
Professional fees	19,921	-	19,921
Repairs and maintenance	29,580	-	29,580
Salaries	20,495	-	20,495
Security	2,497	-	2,497
Snow removal	8,034	-	8,034
Telephone	1,341	-	1,341
Trash	4,241	-	4,241
Utilities	33,509	-	33,509
Debt service:			
Bond principal	-	4,675,000	4,675,000
Interest expense	-	595,329	595,329
Total expenditures	<u>268,453</u>	<u>5,275,607</u>	<u>5,544,060</u>
Excess of expenditures over revenues	<u>122,397</u>	<u>(4,974,909)</u>	<u>(4,852,512)</u>

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

**CATHEDRAL PINES METROPOLITAN DISTRICT**  
**STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2016**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>			
Bond proceeds	-	5,074,882	5,074,882
Cost of issuance	-	(104,420)	(104,420)
Repay developer advance	(12,377)	-	(12,377)
Interest on developer advance	(2,842)	-	(2,842)
Transfers in (out)	(33,924)	33,924	-
<b>Total other financing sources (uses)</b>	<b>(49,143)</b>	<b>5,004,386</b>	<b>4,955,243</b>
Net change in fund balances	73,254	29,477	102,731
Fund balances, beginning of year	(31,327)	126,328	95,001
Fund balances, end of year	<u>\$ 41,927</u>	<u>\$ 155,805</u>	<u>\$ 197,732</u>

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

**CATHEDRAL PINES METROPOLITAN DISTRICT**  
**RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2016**

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

<b><u>Net change in fund balances - total governmental funds</u></b>	\$	102,731
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The issuance of debt provides current financial resources to government funds, while the repayment of debt principal consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

<u>Repayment of developer advances</u>		12,377
<u>Principal payment on bonds payable</u>		4,675,000
<u>Bond proceeds</u>		(5,074,882)

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.

<u>Change in accrued interest payable</u>		5,438
<u>Depreciation expense</u>		(89,611)
<u>Amortization expense</u>		6,784

<b><u>Changes in net position of governmental activities</u></b>	<b>\$</b>	<b><u>(362,163)</u></b>
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The accompanying notes and independent auditor's report should be read with this financial statement.

**CATHEDRAL PINES METROPOLITAN DISTRICT**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**YEAR ENDED DECEMBER 31, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b><u>REVENUES</u></b>				
Property taxes	\$ 123,600	\$ 123,685	\$ 123,685	\$ -
Specific ownership taxes	-	38,000	14,231	(23,769)
Reimbursements	9,000	9,000	9,960	960
Rental income	103,360	103,360	162,570	59,210
Fire and flood FEMA and reimbursemen	-	-	80,172	80,172
Net investment income	300	300	232	(68)
<b>Total revenues</b>	<b>236,260</b>	<b>274,345</b>	<b>390,850</b>	<b>116,505</b>
<b><u>EXPENDITURES</u></b>				
Current:				
Accounting	18,000	18,000	18,000	-
Bank charges	50	50	35	15
Cleaning	1,500	1,500	2,011	(511)
Event expense	35,000	35,000	49,690	(14,690)
Insurance	17,000	17,000	16,993	7
Landscape maintenance	23,000	23,000	26,718	(3,718)
Licenses and fees	3,854	2,125	1,796	329
Management expense	30,000	30,000	30,000	-
Office expense	1,425	1,300	1,840	(540)
Payroll taxes	-	2,000	1,752	248
Professional fees	10,000	10,000	19,921	(9,921)
Repairs and maintenance	22,000	22,000	29,580	(7,580)
Salaries	23,000	23,000	20,495	2,505
Security	1,700	1,700	2,497	(797)
Snow removal	6,000	6,000	8,034	(2,034)
Telephone	1,500	1,500	1,341	159
Trash	4,000	4,000	4,241	(241)
Utilities	28,000	28,000	33,509	(5,509)
<b>Total expenditures</b>	<b>226,029</b>	<b>226,175</b>	<b>268,453</b>	<b>(42,278)</b>
<b>Excess of revenues over expenditures</b>	<b>10,231</b>	<b>48,170</b>	<b>122,397</b>	<b>74,227</b>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Repay developer advance	-	-	(12,377)	(12,377)
Interest on developer advance	-	-	(2,842)	(2,842)
Transfers in (out)	-	-	(33,924)	(33,924)
<b>Total other financing uses</b>	<b>-</b>	<b>-</b>	<b>(49,143)</b>	<b>(49,143)</b>
<b>Net change in fund balance</b>	<b>\$ 10,231</b>	<b>\$ 48,170</b>	<b>73,254</b>	<b>\$ 25,084</b>
Fund balance, beginning of year			(31,327)	
Fund balance, end of year			<b>\$ 41,927</b>	

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

**CATHEDRAL PINES METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

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**1. DEFINITION OF REPORTING ENTITY**

Cathedral Pines Metropolitan District ("District"), a quasi-municipal corporation, is governed pursuant to the provisions of the Colorado Special District Act. The District was formed in 2004 to provide parks and recreation, street improvements, storm sewer, flood, and surface drainage maintenance for the Cathedral Pines community which is located in El Paso County, Colorado ("County"). The District is governed by an elected, five-member board of directors, which is the policy making body of the District.

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 reporting 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.

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 taxes and intergovernmental revenues.

The statement of net position reports all financial and capital resources of the District. The difference between the assets plus deferred outflow of resources and liabilities plus deferred inflow of resources of the District is reported as net position.

The statement of activities demonstrates the degree to which the direct 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.

See independent auditor's report



**CATHEDRAL PINES METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

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

Government-wide and fund financial statements (continued)

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 and intergovernmental revenue. 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.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

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 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.

The District incurred expenditures in excess of appropriations in the general fund and debt service fund for the year ended December 31, 2016, which may be in violation of the local government budget law.

See independent auditor's report

**CATHEDRAL PINES METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

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

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 generally sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected to the District monthly.

Property taxes, net of estimated uncollectable 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.

Capital assets

Capital assets, which include parks, trails and monuments, community building and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with initial individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized.

Depreciation expense has been computed using the straight-line method over the estimated economic useful lives of the assets, which range from five to 30 years.

Maintenance and repairs are charged to expense as incurred. At the time of retirement or disposition of depreciable assets, the related cost and accumulated depreciation are removed from the accounts, and the resulting gain or loss is reflected in revenues or expenses.

See independent auditor's report

**CATHEDRAL PINES METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

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

Deferred inflows of resources

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Accordingly, the item incremental property tax revenue is deferred and recognized as an inflow of resources in the period that the amounts become available.

Fund equity

Fund balance for governmental funds is 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

**CATHEDRAL PINES METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

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**3. CASH AND INVESTMENTS**

Cash and investments as of December 31, 2016 are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and investments	\$ 119,300
Cash and investments - restricted	<u>153,118</u>
	<u>\$ 272,418</u>

Cash and investments as of December 31, 2016 consist of the following:

Deposits with financial institutions	\$ 119,300
Investments	<u>153,118</u>
	<u>\$ 272,418</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.

As of December 31, 2016, District #1's cash deposits had a bank balance of \$128,124 and a book balance of \$119,300.

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 identified 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.

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**CATHEDRAL PINES METROPOLITAN DISTRICT**  
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**3. CASH AND INVESTMENTS (CONTINUED)**

Investments (continued)

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

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.

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

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>
Debt service money market	Less than 1 year	<u>\$ 153,118</u>

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**4. CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2016 was as follows:

	Balance 1/1/16	Additions/ Reclass- ifications	Dispositions/ Reclass- ifications	Balance 12/31/16
Community building	\$ 1,328,384	\$ -	\$ -	\$ 1,328,384
Parks, trails and monuments	897,355	-	-	897,355
Equipment	13,922	-	-	13,922
Less: accumulated depreciation	<u>(714,252)</u>	<u>(89,611)</u>	<u>-</u>	<u>(803,863)</u>
Capital assets, net	<u>\$ 1,525,409</u>	<u>\$ (89,611)</u>	<u>\$ -</u>	<u>\$ 1,435,798</u>

Depreciation expense for the year ended December 31, 2016 totaled \$89,611.

**5. LONG-TERM OBLIGATIONS**

2008 Series Bonds

On December 14, 2007, the District issued general obligation limited tax bonds with a face value of \$5,000,000. The bonds bear interest at a rate of 5.625% per annum to be paid to the bondholders semi-annually on each June 1 and December 1, beginning June 1, 2008. The bonds mature on December 1, 2037 and are subject to redemption prior to maturity at the discretion of the District, as a whole or in integral multiples of \$5,000 on December 1, 2017 or on any date thereafter. The bonds are subject to mandatory sinking fund redemption requirements beginning in 2011.

The bonds are secured and payable from pledged revenue, consisting of monies derived by (1) the required mill levy of a minimum of 25.000 mills, or such lesser mill levy which, when combined with other pledged revenue then held in the bond fund, will permit the District to fully fund the bond fund for the next bond year and pay the bonds as they come due; and (2) any other legally available monies which the District determines in its absolute discretion, to transfer to the trustee for application as pledged revenue.

The District is required, pursuant to the bond agreements, to maintain bond and reserve cash accounts. The purpose of the reserve cash account is to provide adequate reserves to meet principal and interest requirements if the bond account does not have enough funding. The reserve account is required to be maintained as long as the bonds are outstanding.

The District refinanced \$4,675,000 of these bonds on July 26, 2016. The remaining principal balance of \$90,000 and related interest expense will be paid in full during 2017.

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

2016 Series Bonds

On July 26, 2016, the District issued general obligation refunding bonds in the aggregate principal amount of \$4,660,000, plus an original issue premium of \$414,882, and less the underwriter's discount of \$30,000. The bonds bear interest at the rates set forth below, calculated on the basis of a 360-day year of twelve 30-day months, payable semi-annually on each June 1 and December 1, commencing on December 1, 2016, and mature on December 1 in the years and amounts as follows:

<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2021	\$ 250,000	2.625%
2026	415,000	4.000%
2031	580,000	5.000%
2037	1,010,000	5.000%
2046	2,405,000	5.000%

The bonds are subject to redemption prior to maturity at the discretion of the District, as a whole or in integral multiples of \$5,000, in any order of maturity and in whole or partial maturities, on December 1, 2026 or on any date thereafter, upon payment of par and accrued interest, without redemption premium. The bonds are subject to mandatory sinking fund redemption requirements beginning in 2018.

The bonds are secured and payable from pledged revenue, consisting of monies derived by (1) the required mill levy of a minimum of 28.50 mills, or such lesser mill levy which, when combined with other pledged revenue then held in the bond fund, will permit the District to fully fund the bond fund for the next bond year and pay the bonds as they come due, and to fund the surplus fund up to maximum surplus amount; and (2) any other legally available monies which the District determines in its absolute discretion, to transfer to the trustee for application as pledged revenue.

The District is required, pursuant to the bond agreements, to maintain bond and surplus cash accounts. The purpose of the surplus cash account is to provide adequate reserves to meet principal and interest requirements if the bond account does not have enough funding. The surplus account is required to be maintained as long as the bonds are outstanding.

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

The following is a summary of changes in 2008 Series Bonds of the District during the year ended December 31, 2016:

	<u>Balance 1/1/16</u>	<u>Additions</u>	<u>Repayments/ Defeasance</u>	<u>Balance 12/31/16</u>	<u>Due within one year</u>
Series 2008 General Obligation Bonds	\$ 4,765,000	\$ -	\$ (4,675,000)	\$ 90,000	\$ 90,000
Series 2016 General Obligation Refunding Bonds	-	4,660,000	-	4,660,000	-
Unamortized portion of premium	-	414,882	(6,784)	408,098	-
	<u>\$ 4,765,000</u>	<u>\$ 5,074,882</u>	<u>\$ (4,681,784)</u>	<u>\$ 5,158,098</u>	<u>\$ 90,000</u>

Annual requirements to amortize the 2016 Series Bonds are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ -	\$ 222,913	\$ 222,913
2018	60,000	222,913	282,913
2019	60,000	221,338	281,338
2020	65,000	219,763	284,763
2021	65,000	218,056	283,056
2022-2026	415,000	1,050,550	1,465,550
2027-2031	580,000	944,500	1,524,500
2032-2036	815,000	777,250	1,592,250
2037-2041	1,105,000	545,750	1,650,750
2042-2046	1,495,000	233,000	1,728,000
Total	<u>\$ 4,660,000</u>	<u>\$ 4,656,031</u>	<u>\$ 9,316,031</u>

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

Developer advances

The District entered into a reimbursement agreement ("Agreement") with the developer under which the District agreed to reimburse the developer for operations and maintenance expenses and capital advances made on behalf of the District. The District agreed to repay the developer advances along with accrued interest at a rate of 5.625% per annum. As of December 31, 2016, all developer advances and related accrued interest were repaid in full.

**6. NET POSITION**

The District has net position consisting of three components - invested in capital assets, net of related debt; restricted; and unrestricted.

Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by the outstanding balance of debt that is attributable to the acquisition, construction, or improvement of those assets.

As of December 31, 2016, the District had net position invested in capital assets, net of related debt as follows:

Invested in capital assets, net of related debt:	
Capital assets, net	\$ 1,435,798
Related debt	<u>(2,239,661)</u>
Invested in capital assets, net of related debt	<u>\$ (803,863)</u>

Restricted net position includes the net position that is restricted 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 a restricted net position of as of December 31, 2016 as follows:

Restricted net position:	
Emergencies (see Note 9)	\$ 8,054
Debt service (see Note 5)	<u>137,067</u>
	<u>\$ 145,121</u>

The District's unrestricted net position as of December 31, 2016 totaled -\$2,884,564.

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**7. RELATED PARTIES**

The developer of the property which constitutes the District is Cathedral Pines Development Company and the management company for the District is Action Team Realty. The members of the board of directors of the District are officers, employees or associated with the developer and management company and may have conflicts of interest in dealing with the District.

The District entered into a month-to-month agreement with Action Team Realty for reimbursement of administrative costs including accounting services and other administrative overhead. This agreement requires payment of \$1,500 per month effective January 1, 2008. This agreement will remain in effect until either party gives notice of termination at least 60 days in advance. Expenses related to this agreement for the year ended December 31, 2016 totaled \$18,000.

The District entered into a month-to-month agreement with Action Team Realty to manage the maintenance and repair work of the District. This agreement requires payment of \$2,500 per month effective January 1, 2008. This agreement will remain in effect until either party gives notice of termination at least 60 days in advance. Management expense for the year ended December 31, 2016 totaled \$30,000.

The District also paid booking fees of \$9,750 to Action Team Realty for events at the community center during the year ended December 31, 2016.

The District contracted services from relatives of board members totaling \$40,972 during the year ended December 31, 2016.

The District leases office space to Cathedral Pines Development on a month-to-month basis. The lease requires minimum monthly payments of \$280. Rent income for the year ended December 31, 2016 totaled \$3,360.

**8. RISK MANAGEMENT**

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

The District is a member of the Colorado Special Districts Property and Liability Pool ("Pool") as of December 31, 2016. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage 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. Revenues in excess of the fiscal year spending limit must be refunded unless the voters approve retention of such revenues. 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**

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**CATHEDRAL PINES METROPOLITAN DISTRICT**  
**DEBT SERVICE FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**YEAR ENDED DECEMBER 31, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b><u>REVENUES</u></b>				
Property taxes	\$ 268,800	\$ 268,881	268,881	\$ -
Specific ownership taxes	38,000	-	30,941	
Net investment income	800	800	876	76
<b>Total revenues</b>	<b>307,600</b>	<b>269,681</b>	<b>300,698</b>	<b>76</b>
<b><u>EXPENDITURES</u></b>				
Current:				
Bond principal	85,000	85,000	4,675,000	(4,590,000)
Contingency	850	850	-	850
Interest expense	272,250	278,000	595,329	(317,329)
Licenses and fees	6,182	6,125	5,278	847
<b>Total expenditures</b>	<b>364,282</b>	<b>369,975</b>	<b>5,275,607</b>	<b>(4,905,632)</b>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Bond proceeds	-	-	5,074,882	5,074,882
Cost of issuance	-	30,500	(104,420)	(134,920)
Transfer out	-	-	33,924	33,924
<b>Total other financing sources</b>	<b>-</b>	<b>30,500</b>	<b>5,004,386</b>	<b>4,973,886</b>
<b>Net change in fund balance</b>	<b>\$ (56,682)</b>	<b>\$ (100,294)</b>	<b>\$ 29,477</b>	<b>\$ (68,178)</b>
Fund balance, beginning of year			126,328	
Fund balance, end of year			<b>\$ 155,805</b>	

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