

4-WAY RANCH METROPOLITAN DISTRICT NO. 1

Financial Statements

Year Ended December 31, 2016

with

Independent Auditors' Report



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## **Independent Auditor's Report**

Board of Directors

**4-Way Ranch Metropolitan District No. 1**

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

We have audited the accompanying financial statements of the governmental and business activities and each major fund of 4-Way Ranch Metropolitan District No. 1 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. These financial statements are the responsibility of the District.

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

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental and business activities and each major fund of the 4-Way Ranch Metropolitan District No. 1 as of December 31, 2016, and the respective changes in financial position, cash flows and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## Other Matters

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

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

*L. Paul Goedecke P.C.*

L. Paul Goedecke, P.C.  
July 24, 2017

## 4-WAY RANCH METROPOLITAN DISTRICT NO. 1

### STATEMENT OF NET POSITION

December 31, 2016

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and investments	\$ 27,836	\$ -	\$ 27,836
Taxes receivable - current	662	-	662
Taxes receivable - deferred	91,051	-	91,051
Accounts receivable - user fees	-	5,850	5,850
Utility deposit	-	8,000	8,000
Due from other funds	<u>51,062</u>	<u>-</u>	<u>51,062</u>
 Total Current Assets	 <u>170,611</u>	 <u>13,850</u>	 <u>184,461</u>
 <b>CAPITAL ASSETS</b>			
Capital assets, net of accumulated depreciation	<u>3,315,590</u>	<u>311,610</u>	<u>3,627,200</u>
Total Assets	<u>3,486,201</u>	<u>325,460</u>	<u>3,811,661</u>
 <b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	16,498	112,388	128,886
Accrued interest payable	3,467	-	3,467
Due to other funds	-	51,062	51,062
Due within one year	10,000	-	10,000
<b>NONCURRENT</b>			
Due in more than one year	<u>4,665,739</u>	<u>238,693</u>	<u>4,904,432</u>
 Total Liabilities	 <u>4,695,704</u>	 <u>402,143</u>	 <u>5,097,847</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred property tax revenue	<u>91,051</u>	<u>-</u>	<u>91,051</u>
Total deferred inflows of resources	<u>91,051</u>	<u>-</u>	<u>91,051</u>
 <b>NET POSITION</b>			
Restricted for:			
Emergency reserve	1,248	-	1,248
Debt service	260,720	-	260,720
Unrestricted:	<u>(1,544,351)</u>	<u>(76,683)</u>	<u>(1,621,034)</u>
Total Net Position (Deficit)	<u>\$ (1,300,554)</u>	<u>\$ (76,683)</u>	<u>\$ (1,377,237)</u>

The notes to the financial statements are an integral part of these statements.

## 4-WAY RANCH METROPOLITAN DISTRICT NO. 1

### STATEMENT OF ACTIVITIES For the Year Ended December 31, 2016

<u>Functions/Programs</u>	<u>Expenses</u>	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for <u>Services</u>	Operating Grants and <u>Contributions</u>	Capital Grants and <u>Contributions</u>	<u>Governmental</u> Activities	<u>Business-type</u> Activities	<u>Total</u>
Primary Government:							
Governmental Activities:							
General government	\$ 39,162	\$ -	\$ -	\$ -	\$ (39,162)	\$ -	\$ (39,162)
Interest and related costs on long-term debt	370,999	-	-	-	(370,999)	-	(370,999)
Total Governmental Activities	410,161	-	-	-	(410,161)	-	(410,161)
Business-Type Activities:							
Water - operations	156,102	43,050	-	-	-	(113,052)	(113,052)
Total Business-Type Activities	156,102	43,050	-	-	-	(113,052)	(113,052)
 Total	 \$ 566,263	 \$ 43,050	 \$ -	 \$ -	 (410,161)	 (113,052)	 (523,213)
General Revenues:							
Property taxes					64,805	-	64,805
Specific ownership taxes					7,624	-	7,624
Interest income					334	-	334
Total General Revenues					80,763	-	80,763
Change in Net Position					(329,398)	(113,052)	(442,450)
Net Position (Deficit) - Beginning					(971,156)	36,369	(934,787)
Net Position (Deficit) - Ending					\$ (1,300,554)	\$ (76,683)	\$ (1,377,237)

The notes to the financial statements are an integral part of these statements.

## 4-WAY RANCH METROPOLITAN DISTRICT NO. 1

### BALANCE SHEET GOVERNMENTAL FUNDS December 31, 2016

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and investments	\$ 27,836	\$ -	\$ -	\$ 27,836
Receivable County Treasurer	147	515	-	662
Taxes receivable	15,175	75,876	-	91,051
Accounts receivable - developer	60,965	-	-	60,965
Amount due from/(to) other funds	-	264,672	-	264,672
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Assets	<u>\$ 104,123</u>	<u>\$ 341,063</u>	<u>\$ -</u>	<u>445,186</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 15,498	\$ 1,000	\$ -	16,498
Amount due to other funds	195,439	-	18,171	213,610
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Liabilities	<u>210,937</u>	<u>1,000</u>	<u>18,171</u>	<u>230,108</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred property taxes	15,175	75,876	-	91,051
Total Deferred Inflows of Resources	<u>15,175</u>	<u>75,876</u>	<u>-</u>	<u>91,051</u>
<b>FUND BALANCES:</b>				
Reserved for:				
Emergency reserve	1,248	-	-	1,248
Debt service	-	264,187	-	264,187
Capital projects	-	-	(18,171)	(18,171)
Unreserved	(123,237)	-	-	(123,237)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Fund Balance	<u>(121,989)</u>	<u>264,187</u>	<u>(18,171)</u>	<u>124,027</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 104,123</u>	<u>\$ 341,063</u>	<u>\$ -</u>	

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	3,315,590
In the statement of net position, developer advances are reported as a liability when the cash is received thus the receivable is eliminated	(60,965)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds	
Accrued interest on bonds	(3,467)
Developer advances	(208,508)
Accrued interest developer advances	(91,769)
Series A Bonds	(520,000)
Series B Bonds	(2,450,000)
Accrued interest subordinate bonds	(1,405,462)
Net Position (Deficit) of Governmental Activities	<u>\$ (1,300,554)</u>

The notes to the financial statements are an integral part of these statements.

## 4-WAY RANCH METROPOLITAN DISTRICT NO. 1

### STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

For the Year Ended December 31, 2016

	<u>General</u>	<u>Debt Service</u>	<u>Capital Project</u>	<u>Total</u>
<b>REVENUES</b>				
Property taxes	\$ 14,401	\$ 50,404	\$ -	\$ 64,805
Ownership taxes	1,694	5,930	-	7,624
Tap fees	-	8,000	-	8,000
Interest income	76	258	-	334
	<u>16,171</u>	<u>64,592</u>	<u>-</u>	<u>80,763</u>
<b>EXPENDITURES</b>				
Accounting	1,821	-	-	1,821
Audit	4,000	-	-	4,000
Insurance	7,452	-	-	7,452
Legal	18,886	-	8,669	27,555
Capital outlay	-	-	1,440	1,440
Treasurer's fees	223	780	-	1,003
Bond principal	-	5,000	-	5,000
Bond interest	-	42,000	-	42,000
Paying agent fees	-	1,000	-	1,000
	<u>32,382</u>	<u>48,780</u>	<u>10,109</u>	<u>91,271</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(16,211)	15,812	(10,109)	(10,508)
<b>OTHER FINANCING SOURCES (USES)</b>				
Developer advance	13,091	-	-	13,091
	<u>13,091</u>	<u>-</u>	<u>-</u>	<u>13,091</u>
<b>Total Other Financing Sources (Uses)</b>	<u>13,091</u>	<u>-</u>	<u>-</u>	<u>13,091</u>
<b>CHANGE IN FUND BALANCE</b>	(3,120)	15,812	(10,109)	2,583
<b>FUND BALANCE:</b>				
<b>BEGINNING OF YEAR</b>	<u>(118,869)</u>	<u>248,375</u>	<u>(8,062)</u>	<u>121,444</u>
<b>END OF YEAR</b>	<u>\$ (121,989)</u>	<u>\$ 264,187</u>	<u>\$ (18,171)</u>	<u>\$ 124,027</u>

The notes to the financial statements are an integral part of these statements.



## 4-WAY RANCH METROPOLITAN DISTRICT NO. 1

### RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES For the Year Ended December 31, 2016

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

Net change in fund balances - Total governmental funds	\$ 2,583
 Governmental funds report capital outlays as expenditures. In the statement of activities capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense the allocation of the cost of any depreciable asset over the estimated useful lives of the asset. Therefore, this is the amount of capital outlay, net of depreciation, in the current period.	
Capital outlay	10,109
 The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on the net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	
General Obligation Bonds	5,000
Developer Advances	(13,091)
 Some expenses in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.	
Accrued interest on debt	<u>(333,999)</u>
 Change in Net Position (Deficit) of Governmental Activities	 <u>\$ (329,398)</u>

The notes to the financial statements are an integral part of these statements.

# 4-WAY RANCH METROPOLITAN DISTRICT NO. 1

## BALANCE SHEET PROPRIETARY FUND December 31, 2016

### ASSETS

#### CURRENT ASSETS

Accounts receivable - user fees	\$ 5,850
Utility deposit	<u>8,000</u>

Total Current Assets 13,850

#### CAPITAL ASSETS

Capital assets, net of accumulated depreciation	<u>311,610</u>
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Total Assets \$ 325,460

### LIABILITIES AND NET POSITION (DEFICIT)

#### CURRENT LIABILITIES

Accounts payable	\$ 112,388
Amount due to other funds	<u>51,062</u>

Total Current Liabilities 163,450

#### LONG-TERM LIABILITIES

Developer advances payable, due in greater than one year	<u>238,693</u>
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Total Liabilities 402,143

#### NET POSITION

Unrestricted	<u>(76,683)</u>
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Total Net Position (76,683)

Total Liabilities and Net Position \$ 325,460

The notes to the financial statements are an integral part of these statements.

# 4-WAY RANCH METROPOLITAN DISTRICT NO. 1

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION PROPRIETARY FUND

For the Year Ended December 31, 2016

OPERATING REVENUES	
User fees	\$ <u>22,850</u>
Total Operating Revenues	<u>22,850</u>
OPERATING EXPENSES	
Water treatment & delivery	
Basic services	30,752
Engineering	6,967
Accounting	7,283
Utilities	21,976
Legal	3,149
Court ordered legal costs	81,971
Chemicals	3,875
Other	<u>129</u>
Total Operating Expenses	<u>156,102</u>
INCOME (LOSS) FROM OPERATIONS	<u>(133,252)</u>
NON-OPERATING REVENUES	
Tap fees	<u>20,200</u>
Non-Operating Revenues	<u>20,200</u>
NET INCOME (LOSS) - CHANGE IN NET POSITION	(113,052)
NET POSITION - BEGINNING OF YEAR	<u>36,369</u>
NET POSITION - END OF YEAR	<u><u>\$ (76,683)</u></u>

The notes to the financial statements are an integral part of these statements.

## 4-WAY RANCH METROPOLITAN DISTRICT NO. 1

### STATEMENT OF CASH FLOWS PROPRIETARY FUND For the Year Ended December 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	\$ 18,678
Payments to suppliers	<u>(43,714)</u>
Net Cash (Required) by Operating Activities	<u>(25,036)</u>
CASH FLOWS FROM NONCAPITAL FINANCIAL ACTIVITIES	
Tap fees	20,200
Repayment to Governmental Fund	<u>4,836</u>
Net Cash Provided by Noncapital Financing Activities	<u>25,036</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	-
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>-</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ -</u></u>
RECONCILIATION OF OPERATING (LOSS) TO NET CASH PROVIDED (REQUIRED) BY OPERATING ACTIVITIES	
Net (loss) from operations	\$ (133,252)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (REQUIRED) BY OPERATING ACTIVITIES	
Changes in Assets and Liabilities:	
Accounts receivable user fees	(4,172)
Accounts payable	<u>112,388</u>
NET CASH (REQUIRED) BY OPERATING ACTIVITIES	<u><u>\$ (25,036)</u></u>

The notes to the financial statements are an integral part of these statements.

## 4-WAY RANCH METROPOLITAN DISTRICT NO. 1

### STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended December 31, 2016

	Original & Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
<b>REVENUES</b>			
Property taxes	\$ 14,724	\$ 14,401	\$ (323)
Ownership taxes	1,472	1,694	222
Transfer from Water / Sewer	150,000	-	(150,000)
Interest income	<u>-</u>	<u>76</u>	<u>76</u>
 Total Revenues	 <u>166,196</u>	 <u>16,171</u>	 <u>(150,025)</u>
 <b>EXPENDITURES</b>			
Accounting	6,000	1,821	4,179
Audit	4,000	4,000	-
Insurance	7,600	7,452	148
Legal	30,000	18,886	11,114
Court ordered legal costs	5,000	-	5,000
Treasurer's fees	222	223	(1)
Emergency Reserve	1,578	-	1,578
Contingency	<u>10,000</u>	<u>-</u>	<u>10,000</u>
 Total Expenditures	 <u>64,400</u>	 <u>32,382</u>	 <u>32,018</u>
 EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	 101,796	 (16,211)	 (118,007)
 <b>OTHER FINANCING SOURCES (USES)</b>			
Developer advance	<u>22,380</u>	<u>13,091</u>	<u>(9,289)</u>
 Total Other Financial Sources (Uses)	 <u>22,380</u>	 <u>13,091</u>	 <u>(9,289)</u>
 CHANGE IN FUND BALANCE	 124,176	 (3,120)	 (127,296)
FUND BALANCE - BEGINNING OF YEAR	<u>(124,176)</u>	<u>(118,869)</u>	<u>5,307</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ (121,989)</u>	<u>\$ (121,989)</u>

The notes to the financial statements are an integral part of these statements.

## 4-WAY RANCH METROPOLITAN DISTRICT NO. 1

### Notes to Financial Statements December 31, 2016

#### Note 1: Summary of Significant Accounting Policies

The accounting policies of the 4-Way Ranch Metropolitan District No. 1, located in El Paso County, Colorado, conform to the accounting principles generally accepted in the United States of America (“GAAP”) as applicable to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies consistently applied in the preparation of financial statements.

#### Definition of Reporting Entity

The District was organized on December 1, 2005, as a quasi-municipal corporation established under the State of Colorado Special District Act. The District was established to develop and provide financing, construction, acquisition and installation of street improvements, water and sanitation infrastructure and other improvements within the boundaries of the District. The District’s primary revenue is property taxes. The District is governed by an elected Board of Directors.

As required by GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District follows the GASB pronouncements, which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB sets 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 pronouncements also require including a possible component unit if it would be misleading to exclude it.

The District is not financially accountable for any other organization. The District has no component units as defined by the GASB.

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

#### Basis of Presentation

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

## 4-WAY RANCH METROPOLITAN DISTRICT NO. 1

### Notes to Financial Statements December 31, 2016

The statement of net position reports all financial and capital resources of the District. The difference between the (a) assets and deferred outflows of resources and the (b) liabilities and deferred inflows of resources of the District is reported as net position.

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

#### Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are collected.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The material sources of revenue subject to accrual are property taxes and interest. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is paid.

The District reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources not accounted for and reported in another fund.

Debt Service Fund – The Debt Service Fund is used to account for all financial resources that are restricted, committed or assigned to expenditures for principal, interest and other debt related costs.

## 4-WAY RANCH METROPOLITAN DISTRICT NO. 1

### Notes to Financial Statements December 31, 2016

Capital Projects Fund – The Capital Projects Fund is used to account for all financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other assets.

The District reports the following major proprietary funds:

Water Enterprise Fund – The Water Enterprise Fund accounts for the user fees and related expenses of the water system.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's ongoing operations. Operating revenues consist of charges to customers for services provided. Operating expenses for proprietary funds include the cost of services, administrative expenses, and depreciation of assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions. The District's proprietary fund consists of the Water Fund.

As a general rule, the effect of interfund activity has been eliminated from the statements of net position.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The District has elected not to follow subsequent private-sector guidance.

#### Budgetary Accounting

Budgets are adopted on a non-GAAP basis for the governmental funds. In accordance with the State Budget Law of Colorado, the District's Board of Directors holds public hearings in the fall of each year to approve the budget and appropriate the funds for the ensuing year. 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 appropriation is at the total fund expenditures level and lapses at year end.

Subsequent to year end, the District amended its total appropriations in the Capital Projects Fund from \$0 to \$10,500 primarily due to unexpected expenditures.



## 4-WAY RANCH METROPOLITAN DISTRICT NO. 1

### Notes to Financial Statements December 31, 2016

#### Statement of Cash Flows

For purposes of the statement of cash flows, the District considers cash deposits with a maturity of three months or less to be cash equivalents. During 2016, the District had no noncash activities.

#### Assets, Liabilities, and Net Position

##### Fair Value of Financial Instruments

The District's financial instruments include cash and cash equivalents, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2016 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

##### Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand and short-term investments with maturities of three months or less from the date of acquisition. Investments for the government are reported at fair value.

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 minimum number of bank accounts. 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 funds' average equity balance in the total cash.

##### Interfund Balances

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". These amounts are eliminated in the Statement of Net Position.

##### Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any items that qualify for reporting under this category.

In addition to liabilities, the statement of financial position will sometimes report 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. The District has one item that qualifies for reporting in this category. Deferred property taxes are deferred and recognized as an inflow of resources in the period that the amounts become available.

## 4-WAY RANCH METROPOLITAN DISTRICT NO. 1

### Notes to Financial Statements December 31, 2016

#### Capital Assets

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

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the life of the assets are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable using the straight-line method. Depreciation on property that will remain assets of the District is reported on the Statement of Activities as a current charge. Improvements that will be conveyed to other governmental entities are classified as construction in progress and are not depreciated.

#### Estimates

The preparation of these financial statements in conformity with GAAP requires the District management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### Property Tax

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or in equal installments, at the taxpayers' election, in February and June. Delinquent taxpayers are notified in July or August and the sales of the resultant tax liens on delinquent properties are generally held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows in the year they are levied and measurable since they are not normally available nor are they budgeted as a resource until the subsequent year. The deferred property taxes are recorded as revenue in the subsequent year when they are available or collected.

#### Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

## 4-WAY RANCH METROPOLITAN DISTRICT NO. 1

### Notes to Financial Statements December 31, 2016

#### Fund Equity

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications make the nature and extent of the constraints placed on a government's fund balance more transparent:

#### Nonspendable Fund Balance

Nonspendable fund balance includes amounts that cannot be spent because they are either not spendable in form (such as inventory or prepaids) or are legally or contractually required to be maintained intact.

#### Restricted Fund Balance

The restricted fund balance includes amounts restricted for a specific purpose by external parties such as grantors, bondholders, constitutional provisions or enabling legislation.

The restricted fund balance in the General Fund represents Emergency Reserves that have been provided as required by Article X, Section 20 of the Constitution of the State of Colorado. A total of \$1,248 of the General Fund balance has been restricted in compliance with this requirement.

The reserved fund balance in the Debt Service Fund is reserved for the payment of the long term debt obligations.

#### Assigned Fund Balance

Assigned fund balance includes amounts the District intends to use for a specific purpose. Intent can be expressed by the District's Board of Directors or by an official or body to which the Board of Directors delegates the authority.

#### Committed Fund Balance

The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by a 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.

#### Unassigned Fund Balance

Unassigned fund balance includes amounts that are available for any purpose. Positive and negative amounts are reported in the General Fund, all other funds can report only negative amounts.

4-WAY RANCH METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements  
December 31, 2016

For the classification of Governmental Fund balances, the District considers an expenditure to be made from the most restrictive first when more than one classification is available.

Deficits

The District is studying various ways of eliminating future fund balance deficits including additional funding from the developer and future development fee revenue.

The General Fund reported a deficit fund balance in the fund financial statements of \$121,989 and the Capital Projects Fund reported a deficit fund balance in the fund financial statements of \$18,171.

Net Position

Net Position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The District may report three categories of net position, as follows:

Net investment in capital assets – consists of net capital assets, except for construction in progress, reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.

Restricted net position – net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

Unrestricted net position – consists of all other net position that does not meet the definition of the above two components and is available for general use by the District.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District will use the most restrictive net position first.

Note 2: Cash and Investments

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

Statement of Net Position:

Cash and investments \$ 27,836

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

Deposits with financial institutions \$ 27,836

4-WAY RANCH METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements  
December 31, 2016

Deposits

Custodial Credit Risk

The Colorado Public Deposit Protection Act, (PDPA) requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. 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 is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. 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 depositories and assets maintained in the collateral pools.

The District does not have a formal policy for deposits. None of the District's deposits was exposed to custodial credit risk.

At December 31, 2016, the District had no investments.

Note 3: Capital Assets

An analysis of the changes in capital assets for the year ended December 31, 2016 follows:

	Balance 1/1/2016	Additions	Deletions	Balance 12/31/2016
<u>Business Type Activities:</u>				
<u>Capital assets not being depreciated:</u>				
Water treatment and distribution system	\$ 1,041	\$ -	\$ -	\$ 1,041
Construction in progress	310,569	-	-	310,569
Business type assets	<u>\$ 311,610</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 311,610</u>
<u>Governmental Type Activities:</u>				
Construction in progress	<u>\$ 3,305,481</u>	<u>\$ 10,109</u>	<u>\$ -</u>	<u>\$ 3,315,590</u>

## 4-WAY RANCH METROPOLITAN DISTRICT NO. 1

### Notes to Financial Statements December 31, 2016

Note 4: Long-term obligations

Advance and Reimbursement Agreement

In November 2006, the District entered into an agreement with Plainview Properties, LLC, whereby the Developer funded certain operational and organizational costs of the District. The agreement calls for the accrual of interest on organizational costs paid by the developer at a maximum rate of 7%. Other advances for the operations, maintenance, and administration of the District shall also accrue interest at 7%. All obligations to the Developer are deemed satisfied fifteen years from the date of the agreement, if not satisfied earlier by the terms of the agreement. The Agreement provides for the District to repay the developer advances based on the annual appropriation of funds by the District as funds are available.

Amended and Restated Infrastructure Acquisition Agreement

The District has entered into an Infrastructure Acquisition Agreement dated June 13, 2007, with Plainview Properties, LLC, which amended the agreement dated March 8, 2006. This Agreement acknowledges that the District does not have the resources to construct public infrastructure and obligates the District to purchase from the Developer each completed improvement as authorized by the District's Service Plan, subject to satisfaction of certain conditions of the Agreement. The District anticipates issuing general obligation bonds to finance the purchase of the public infrastructure. The District has agreed to pay the costs of the infrastructure from any legally available source of revenue available to the District. The Developer and the District do not intend to create a multiple fiscal year debt and the repayment of any obligation is subject to annual appropriation.

Infrastructure Acquisition Agreement

The District has entered into an Infrastructure Acquisition Agreement on May 19, 2010, with 935 Development Inc. This agreement acknowledges that the District does not have the resources to construct public infrastructure and obligates the District to purchase from the Developer each completed improvement as authorized by the District's Service Plan, subject to satisfaction of certain conditions of the Agreement. The District anticipates issuing general obligation bonds to finance the purchase of the public infrastructure. The District has agreed to pay the costs of the infrastructure from any legally available source of revenue available to the District. The Developer and the District do not intend to create a multiple fiscal year debt and the repayment of any obligation is subject to annual appropriation.

On September 28, 2011, 935 Development Inc, assigned its rights to payments owed by the District for the Stapleton Roadway Improvements in the amount of \$98,658 to Plainview Properties, LLC.

## 4-WAY RANCH METROPOLITAN DISTRICT NO. 1

### Notes to Financial Statements December 31, 2016

#### Infrastructure Acquisition Agreement

The District has entered into an Infrastructure Acquisition Agreement on November 30, 2011, with 4 Way Ranch Joint Venture. This agreement acknowledges that the District does not have the resources to construct public infrastructure and obligates the District to purchase from the Developer each completed improvement as authorized by the District's Service Plan, subject to satisfaction of certain conditions of the Agreement. The District anticipates issuing general obligation bonds to finance the purchase of the public infrastructure. The District has agreed to pay the costs of the infrastructure from any legally available source of revenue available to the District. The Developer and the District do not intend to create a multiple fiscal year debt and the repayment of any obligation is subject to annual appropriation.

#### Limited Tax General Obligation Bonds Series 2011A and Subordinate Limited Tax General Obligation Bonds Series 2011B

On October 5, 2011, the District issued \$530,000 of Limited Tax General Obligation Bonds Series 2011A ("Series A Bonds") and \$2,450,000 of Subordinate Limited Tax General Obligation Bonds Series 2011B ("Series B Bonds") for the purpose of repaying a portion of the obligations incurred for public improvements, providing capitalized interest for the payment of a portion of the interest on the Series A Bonds and paying the cost of issuance of the Bonds.

The Series A Bonds are term bonds due December 1, 2040 with mandatory sinking fund payments beginning December 1, 2015 and increasing annually thereafter, and bear interest at 8% per annum to be paid on June 1 and December 1 of each year beginning on December 1, 2011. The Series A Bonds are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$1,000, in any order of maturity and in whole or partial maturities, on December 1, 2021 and on any date thereafter, upon payment of par and accrued interest, without redemption premium. The Series A Bonds are payable from the District's levy of an ad valorem tax of not less than 35 mills and not in excess of 50 mills, specific ownership taxes and any other legally available moneys which the District determines, in its sole discretion, to credit to the Bond Fund.

The Series B Bonds are term bonds due December 5, 2040, bear interest at 9% per annum to be paid on December 5<sup>th</sup> of each year beginning on December 5, 2011. The Series B Bonds are subject to redemption prior to maturity, at the option of the District, as a whole or in part, on any date, upon payment of par and accrued interest, without redemption premium. The Series B Bonds are payable from the District's levy of an ad valorem tax of not less than 35 mills and not in excess of 50 mills, specific ownership taxes and any other legally available moneys which the District determines, in its sole discretion, after payment of the principal and interest due for the current calendar year on the Series A Bonds.

4-WAY RANCH METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements  
December 31, 2016

The following is a summary of the annual long-term debt principal and interest requirements on the Series A Bonds. The timing of the payments on the Series B Bonds is uncertain, therefore no summary is presented:

	Principal	Interest	Total
2017	\$ 10,000	\$ 41,600	\$ 51,600
2018	10,000	40,800	50,800
2019	10,000	40,000	50,000
2020	10,000	39,200	49,200
2021	10,000	38,400	48,400
2022-2026	65,000	178,800	243,800
2027-2031	100,000	147,600	247,600
2032-2036	145,000	100,800	245,800
2037-2040	160,000	33,200	193,200
	<u>\$ 520,000</u>	<u>\$ 660,400</u>	<u>\$ 1,180,400</u>

The total amount due under these agreements at December 31, 2016 is as follows:

	Balance 1/1/2016	Additions	Deletions	Balance 12/31/2016	Current Portion
<u>Governmental activities</u>					
Developer advances	\$ 195,417	\$ 13,091	\$ -	\$ 208,508	\$ -
Accrued interest developer advances	76,889	14,880	-	91,769	-
Series A Bonds	525,000	-	5,000	520,000	10,000
Series B Bonds	2,450,000	-	-	2,450,000	-
Accrued interest subordinate bonds	1,086,310	319,152	-	1,405,462	-
	<u>4,333,616</u>	<u>347,123</u>	<u>5,000</u>	<u>4,675,739</u>	<u>10,000</u>
<u>Business-type activities</u>					
Developer advances	238,693	-	-	238,693	-
Total	<u>\$ 4,572,309</u>	<u>\$ 347,123</u>	<u>\$ 5,000</u>	<u>\$ 4,914,432</u>	<u>\$ 10,000</u>

Debt Authorization

As of December 31, 2016, the District had remaining voted debt authorization of approximately \$236,000,000. The District did not budget to issue any bonds in 2017.



## 4-WAY RANCH METROPOLITAN DISTRICT NO. 1

### Notes to Financial Statements December 31, 2016

Note 5: Tax Spending and Debt Limitations

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

Enterprises, defined as government-owned business authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR. The District's management believes a significant portion of its operations qualifies for this exclusion.

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

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

Note 6: Risk Management

Except as provided in the Colorado Governmental Immunity Act, 24-10-101, et seq., CRS, the District may be exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors or omissions; injuries to agents; and natural disasters. The Colorado Special Districts Property and Liability Pool (the Pool) is an organization created by intergovernmental agreement to provide common liability and casualty insurance coverage to its members at a cost that is considered economically appropriate. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for auto, public officials' liability, and property and general liability coverage. In the event aggregated losses incurred by the Pool exceed its amounts recoverable from reinsurance contracts and its accumulated reserves, the District may be called upon to make additional contributions to the Pool on the basis proportionate to other members. Any excess funds which the Pool determines are not need for purposes of the Pool may be returned to the members pursuant to a distribution formula.

## 4-WAY RANCH METROPOLITAN DISTRICT NO. 1

### Notes to Financial Statements December 31, 2016

#### Note 7: Agreements

##### Intergovernmental Agreement

In October 2007, the District entered into an intergovernmental agreement with Woodmen Hills Metropolitan District (“WHMD”) which was amended in March 2008. The agreement calls for WHMD to perform agreed upon services related to the operation of the water system developed for the District. The services consist of a scope of basic services covered by a monthly payment as well as additional services as requested from time to time by the District.

##### Water Rights Lease

On March 20, 2006, the District entered into a Water Rights Lease with Four Way Ranch, a Colorado general partnership and Spring Creek, LLC, a Colorado limited liability company, which was amended and restated on June 14, 2006, and amended again on October 8, 2012. The Lease, provides for the lease of certain ground water rights from the Arapahoe and Laramie-Fox Hills aquifers from the water rights owners to the District. Pursuant to the 2012 lease amendment, the parties agreed to the District’s obligation to pay the amount of \$74,733 for leased water rights plus accrued interest at the rate of 5% on the incremental amounts through October 8, 2012, and that such obligation would continue to accrue interest at the rate of 7% compounded semi-annually. The parties further agreed that the District’s obligation to pay would be deferred until such time as there have been issued building permits by El Paso County Regional Building Department for construction of 100 single family residential units within the District’s boundaries, and the District has received payment of a total of 100 residential single family equivalent (“SFE”) water taps. At such time, the deferred payment obligation commences on a phased basis. Adjustments to the water lease rates are made on January 1, 2018 and each five-year anniversary date thereafter.

##### Agreement regarding Water Resource Development

On May 9, 2006, the District entered into a Water Resource Development Agreement with Four Way Ranch, a Colorado general partnership and Spring Creek, LLC, a Colorado limited liability company. Under the agreement, the District agrees to compensate the water rights owners for costs to develop the water rights in the amount of \$1,000 per Equivalent Residential Unit connection made within the District’s service area and to the District’s water system, up to \$420,000. The agreement was amended on March 26, 2014, to modify the District’s payments to be consistent with the District’s Water Resource Development Fee, with the total amount to be paid by the District not to exceed \$420,000.

##### Intergovernmental Agreement for Sharing of Costs

On March 26<sup>th</sup>, 2014, the District and 4-Way Ranch Metropolitan District No. 2 (“District No. 2”) entered into an intergovernmental agreement for sharing of costs which identifies the organizational costs related to the District and District No. 2 as \$98,680 and in which District No. 2 acknowledges the benefit and agrees to reimburse the District one-half of such costs (\$49,340).

## 4-WAY RANCH METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements  
December 31, 2016

### Intergovernmental Agreement with El Paso County

On March 30, 2010, the District entered into an intergovernmental agreement with El Paso County for construction of Stapleton Road from Eastonville Road to Highway 24 in El Paso County, Colorado. Under the Agreement, the County agrees to complete construction of an initial portion of Stapleton Road, and the District agrees to fund and complete future construction of a portion of Stapleton Road, as identified in the Agreement. The completed road will be owned and maintained by the County. In May, 2010, the District accepted the acquisition of the construction plans for the preliminary design related to the initial Stapleton roadway improvements in the amount of \$233,486, from 935 Development, Inc., and the District accepted related supplemental improvements in the amount of \$69,009 in September, 2011, of which a portion was directly funded by the District and a portion was funded by the developer.

### Intergovernmental Agreement with Woodmen Hills Metropolitan District regarding Wastewater Treatment Services

On October 15, 2014, the District and WHMD entered into an intergovernmental agreement (“IGA”) regarding sewer treatment service by WHMD to the District, and capital funding requirements. Under the IGA, WHMD agrees to make available to the District up to 500 SFEs of capacity in WHMD’s wastewater treatment facility. In return, the District agrees to pay WHMD \$213,000 toward the current useful value of the wastewater treatment facility. The District further agrees to pay 21.322% of the cost for the expansion of the wastewater treatment facility, estimated to equal \$1,491,585 (a total of \$1,704,585).

### Agreement regarding Funding Commitment between District and 4 Way Ranch Joint Venture, LLC

On August 22, 2014, the District and 4 Way Ranch Joint Venture, LLC (“JV”) entered into a funding commitment agreement. Under the agreement, the JV agrees to advance funds to WHMD on behalf of the District in the estimated amount of \$1,704,585. The District is required to pay those funds to WHMD under a separate intergovernmental agreement between the District and WHMD for wastewater service. The District agrees to reimburse the JV by paying the JV \$4,000 per wastewater tap, net of any amounts needed for District operations and maintenance purposes, up to the amount of the District’s obligations under the IGA.

#### Note 8: Related Party

All members of the Board of Directors of the District are either officers or employees of or have business or professional relationships with the primary developers within the District.

SUPPLEMENTAL INFORMATION

## 4-WAY RANCH METROPOLITAN DISTRICT NO. 1

### SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - DEBT SERVICE FUND

For the Year Ended December 31, 2016

	Original & Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
<b>REVENUES</b>			
Property taxes	\$ 51,533	\$ 50,404	\$ (1,129)
Ownership taxes	5,153	5,930	777
Tap fees	240,000	8,000	(232,000)
Interest income	<u>-</u>	<u>258</u>	<u>258</u>
 Total Revenues	 <u>296,686</u>	 <u>64,592</u>	 <u>(232,094)</u>
 <b>EXPENDITURES</b>			
Treasurer's fees	773	780	(7)
Bond principal	5,000	5,000	-
Bond interest	42,000	42,000	-
Paying agent fees	<u>4,000</u>	<u>1,000</u>	<u>3,000</u>
 Total Expenditures	 <u>51,773</u>	 <u>48,780</u>	 <u>2,993</u>
 CHANGE IN FUND BALANCE	 244,913	 15,812	 (229,101)
 FUND BALANCE - BEGINNING OF YEAR	 <u>252,749</u>	 <u>248,375</u>	 <u>(4,374)</u>
 FUND BALANCE - END OF YEAR	 <u>\$ 497,662</u>	 <u>\$ 264,187</u>	 <u>\$ (233,475)</u>

The notes to the financial statements are an integral part of these statements.

## 4-WAY RANCH METROPOLITAN DISTRICT NO. 1

### SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - CAPITAL PROJECTS FUND

For the Year Ended December 31, 2016

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
<b>REVENUES</b>				
Developer advances	\$ -	\$ -	\$ -	\$ -
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXPENDITURES</b>				
Legal	-	5,500	8,669	(3,169)
Capital outlay	-	5,000	1,440	3,560
Total Expenditures	<u>-</u>	<u>10,500</u>	<u>10,109</u>	<u>391</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>-</u>	<u>(10,500)</u>	<u>(10,109)</u>	<u>391</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer from Enterprise fund	-	10,500	-	(10,500)
Total Other Financing Sources (Uses)	<u>-</u>	<u>10,500</u>	<u>-</u>	<u>(10,500)</u>
<b>CHANGE IN FUND BALANCE</b>	-	-	(10,109)	(10,109)
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>-</u>	<u>-</u>	<u>(8,062)</u>	<u>(8,062)</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (18,171)</u>	<u>\$ (18,171)</u>

The notes to the financial statements are an integral part of these statements.

## 4-WAY RANCH METROPOLITAN DISTRICT NO. 1

### SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS) - PROPRIETARY FUND

For the Year Ended December 31, 2016

	Original & Final		Variance
	Budget	Actual	Favorable (Unfavorable)
<b>REVENUES</b>			
User fees	\$ 20,000	\$ 22,850	\$ 2,850
Tap fees	<u>480,000</u>	<u>20,200</u>	<u>(459,800)</u>
 Total Revenues	 <u>500,000</u>	 <u>43,050</u>	 <u>(456,950)</u>
 <b>EXPENDITURES</b>			
Water treatment & delivery			
Basic services	30,000	30,752	(752)
Engineering	-	6,967	(6,967)
Accounting	-	7,283	(7,283)
Utilities	30,000	21,976	8,024
Legal	5,000	3,149	1,851
Court ordered legal costs	-	81,971	(81,971)
Chemicals	-	3,875	(3,875)
Other	<u>2,500</u>	<u>129</u>	<u>2,371</u>
 Total Expenditures	 <u>67,500</u>	 <u>156,102</u>	 <u>(88,602)</u>
 <b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	 <u>432,500</u>	 <u>(113,052)</u>	 <u>(545,552)</u>
 <b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in (out)	<u>(150,000)</u>	<u>-</u>	<u>150,000</u>
 Total Other Financing Sources (Uses)	 <u>(150,000)</u>	 <u>-</u>	 <u>150,000</u>
 <b>CHANGE IN FUND BALANCE</b>	 <u>\$ 282,500</u>	 <u>\$ (113,052)</u>	 <u>\$ (395,552)</u>

The notes to the financial statements are an integral part of these statements.

**4-WAY RANCH METROPOLITAN DISTRICT NO. 1**

RECONCILIATION OF REVENUES AND EXPENDITURES  
BUDGETARY BASIS (ACTUAL) TO STATEMENT OF REVENUE,  
EXPENSES AND CHANGES IN NET POSITION  
PROPRIETARY FUND

For the Year Ended December 31, 2016

Change in Fund Balance	<u>\$(113,052)</u>
Add capital expenditures which are not an expense	-
Deduct depreciation which is an expense	-
Deduct developer advances	<u>-</u>
Changes in Net Positions per Statement Revenues, Expenses and Changes in Net Position	<u>\$(113,052)</u>

The notes to the financial statements are an integral part of these statements.