

**KEN-CARYL RANCH
METROPOLITAN DISTRICT**
Jefferson County, Colorado

**FINANCIAL STATEMENTS
DECEMBER 31, 2016**

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Independent Auditor's Report

Board of Directors
Ken-Caryl Ranch Metropolitan District
Jefferson County, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of Ken-Caryl Ranch Metropolitan District (District) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Ken-Caryl Ranch Metropolitan District, as of December 31, 2016, and the respective changes in financial position and the respective budgetary comparisons for the General Fund, Conservation Trust and Grant Fund, Community Garden Fund and Veterans Monument Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The supplemental information listed in the table of contents is presented for purposes of additional analysis and are not a required part of the financial statements.

The supplemental information is the responsibility of management and was derived from and relate 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 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 supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The other information listed in the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Prior-Year Comparative Information

We have previously audited the District's 2015 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities and each major fund in our report dated September 27, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

SCHILLING & COMPANY, INC.

Highlands Ranch, Colorado
September 29, 2017

Ken-Caryl Ranch Metropolitan District

Management's Discussion and Analysis

December 31, 2016

As management of the Ken-Caryl Ranch Metropolitan District ("District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2016.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains supplemental and other information in addition to the basic financial statements themselves.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all the District's assets, liabilities and deferred inflows of resources with the difference being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (i.e. uncollected taxes and earned but unused vacation leave.)

The government-wide financial statements detail functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include general government, parks and recreation, aquatics, tennis, youth services, community garden and veterans memorial.

The government-wide financial statements can be found on pages 1 and 2 of this report.

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District are governmental funds.

Governmental funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable

Ken-Caryl Ranch Metropolitan District

Management's Discussion and Analysis

December 31, 2016

resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District adopts an annual appropriated budget for each fund. Budgetary comparison statements have been provided to demonstrate compliance with these budgets.

The basic governmental fund financial statements can be found on pages 3-11 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 12-28 of this report.

Other Information: In addition to the basic financial statements and accompanying notes, this report also presents supplementary information consisting of a budget to actual comparisons and certain statistical information. The supplemental information can be found on pages 29-31 of this report and the other information can be found on pages 32-34.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities and deferred inflows of resources by \$3,645,819 at the close of the most recent fiscal year.

By far the largest portion of the District's net position reflects its investment in capital assets (e.g. land, buildings and improvements, vehicles and equipment) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

On September 30, 2014, the District issued \$7,900,000 of General Obligation Bonds to finance improvements to the facilities and parks in the community. During 2016, the construction of the improvements were completed. As a result the District's capital assets, net of accumulated depreciation increased by \$6,962,540 or 212%. Likewise, the District's current assets decreased by \$6,508,181, or 58%, due to the use of the bond proceeds for the construction of the capital improvements. Long term obligations as of December 31, 2016 reflect a decrease due to the reduction of outstanding bonds payable as a result of the District making the scheduled debt service payments on the outstanding bonds. Additional information on the

Ken-Caryl Ranch Metropolitan District

Management's Discussion and Analysis

December 31, 2016

District's capital assets and long term debt can be found in the Capital Asset and Debt Administration section of this management's discussion and analysis. Deferred property tax revenue as of December 31, 2016 reflects a decrease from 2015 figures resulting from a reduction in assessed valuation for the District for property taxes to be collected in 2017.

Refer to the following table for additional detail regarding these changes:

	2016	2015
Assets:		
Current and other assets	\$ 4,643,834	\$ 11,152,015
Capital assets, net of accumulated depreciation	10,249,734	3,287,194
Total Assets	14,893,568	14,439,209
Liabilities:		
Long-term liabilities outstanding	6,783,608	7,352,887
Other liabilities	783,303	1,087,199
Total Liabilities	7,566,911	8,440,086
Deferred Inflows of Resources:		
Deferred property tax revenue	3,680,838	3,685,929
Total Deferred Inflows of Resources	3,680,838	3,685,929
Net Position:		
Net investment in capital assets	3,476,719	2,027,097
Restricted	348,968	239,775
Unrestricted	(179,868)	46,322
Total Net Position	\$ 3,645,819	\$ 2,313,194

The District's overall financial position, as measured by net position, increased \$1,332,625 during 2016. For 2016 the District's total revenues increased by \$886,841, or 15%. District received capital contributions comprised of grant revenues of \$127,250 and contributions from the KCRMA of \$382,426, both of which were used for the capital improvement projects that were completed during 2016. Additionally, the District's property tax revenues increased by \$321,209, or 10%, due to an increase in the District's assessed valuation of 14%, which was partially offset by a reduction in the District's mill levy by 3%. Program revenues remained primarily unchanged in 2016 as a result of bond facility construction activity which limited the availability of facilities for revenue generating activities. This was also true in 2015 when the limited availability of facilities contributed to a reduction in program revenues. Total expenses increased by \$372,717, or 8%. Most of these increases were the result of higher activity and increased program costs. The District's increases in revenues outpaced the increases in expense, which resulted in a \$1,332,625 change in net position for 2016 when compared to \$818,501 for 2015.

Refer to the following table for additional detail regarding these changes:

Ken-Caryl Ranch Metropolitan District

Management's Discussion and Analysis

December 31, 2016

Statement of Activities

	2016	2015
Revenues:		
Program revenues:		
Charges for services	\$ 2,032,289	\$ 2,015,737
Operating contributions	685	2,100
Capital contributions	586,789	79,514
General revenues:		
Property taxes	3,683,444	3,362,235
Specific ownership taxes	295,660	278,608
Net investment income	7,662	14,360
Insurance recoveries	39,483	10,117
Gain on disposal of capital assets	3,500	-
Total Revenues	6,649,512	5,762,671
Expenses:		
General	809,150	663,707
Parks and facilities	2,156,240	2,026,166
Recreation	636,470	506,949
Aquatics	259,333	266,996
Youth services	763,449	804,349
Tennis	536,380	514,280
Community garden	533	454
Interest and debt issuance costs	155,332	161,269
Total Expenses	5,316,887	4,944,170
Change in Net Position	1,332,625	818,501
Net Position - Beginning	2,313,194	1,494,693
Net Position - Ending	\$ 3,645,819	\$ 2,313,194

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As mentioned previously, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A discussion of the District's funds follows.

Governmental funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$176,268. Of this fund balance: \$86,323 is nonspendable – meaning it is not in spendable form as it represents prepaid expenditures; \$356,136 is restricted - meaning it is constrained to specific purposes by their providers, through constitutional provisions, or by enabling legislation; \$274,642 is committed – meaning it is constrained to specific purposes by

Ken-Caryl Ranch Metropolitan District

Management's Discussion and Analysis

December 31, 2016

the District's Board of Directors; and the remaining fund balance (\$540,833) is an unassigned deficit.

GENERAL FUND BUDGETARY HIGHLIGHTS

Budget Variances

Results for the General Fund for 2016 reflected a net excess of expenditures over revenues for the year of (\$265,847). The excess of expenditures over revenues was due to in large part to the increased expenditures for facility maintenance related to bond project construction including the temporary relocation of staff several times during the projects as well as facility modifications necessary to maintain programming during bond construction for users. Additional expenditures were necessary to provide staffing for many of the youth programs as the strong local economy required a higher wages to attract qualified personnel. Revenues were also less than 2016 budget due to the lack of availability of facilities for recreational programming resulting to the bond project construction projects until the majority of the construction was completed during the third quarter of the year. The District also reported net other financing sources of \$84,184, which resulted in a total net change in fund balance for the General Fund of (\$181,663), and an ending fund balance deficit of (\$364,015). During 2016 the District transferred \$190,000 from the General Fund to the Capital Reserve Fund, continuing the Board of Directors assignments that began several years ago. Also during 2016, the District entered into two capital leases for the purchase of fitness equipment and a mini passenger bus, and recognized revenue related to these leases of \$231,201. Additional information on the capital leases is available in the Capital Asset and Debt Administration section below.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets at December 31, 2016 amounted \$10,249,734 (net of accumulated depreciation/amortization). This investment in capital assets includes land, buildings and improvements, vehicles and equipment. The analysis of changes in capital assets is as follows:

Capital Assets			
(net of depreciation)			
	2015	Changes	2016
Construction in progress	\$ 1,883,884	\$ 6,543,362	\$ 8,427,246
Land and land improvements	1,050,217	220,716	1,270,933
Buildings and improvements	145,682	(11,120)	134,562
Vehicles and equipment	207,411	209,582	416,993
Total	\$ 3,287,194	\$ 6,962,540	\$ 10,249,734

During 2016, the capital asset activity included construction and improvements and capital asset purchases. These improvements include \$2,486 on the Veterans Monument, \$21,275 for the Eagle Sculpture at the Veterans Monument, \$3,564,194 at the Community Center, \$1,364,412

Ken-Caryl Ranch Metropolitan District

Management's Discussion and Analysis

December 31, 2016

at the Ranch House, \$837,565 at the Dakota Lodge, and \$39,392 of irrigation, park and landscape improvements. Other major capital improvements in 2016 included \$352,789 for a new playground and irrigation improvements at Saddlewood Park, a new playground and irrigation improvements of \$456,969 at Heirloom Park, a new playground at the Community Center at a cost of \$54,250, Dakota Lodge Park improvements of \$64,857, and a playground at the Ranch House for \$32,683. These projects were in a completed stage at December 31, 2016 and are therefore included in construction in progress. Additionally, several of these capital improvements are being made to capital assets/facilities owned by other entities, and will be contributed to these entities once completed. Pursuant to the 2014 First Amendment to the December 20, 1988 Reorganization Agreement, the Ken-Caryl Ranch Master Association has agreed that its capital assets to which the capital improvements were made, will remain public facilities for at least the useful life of the capital improvement. In addition to the larger projects above, the District also purchased the following vehicles and equipment: a mini passenger bus for \$49,065, two mower/snowplow combo units for \$23,953, an overseeder for \$5,559, pool furniture for \$31,541, and fitness equipment for \$228,418.

Additional information on the District's capital assets can be found in Note 4 of this report.

Long-Term Obligations. At the end of the current fiscal year, the District had total outstanding long-term obligations of \$6,783,608, comprised of general obligation bonds issued for the capital improvement projects and capital leases for equipment and a vehicles used for operations.

Outstanding Debt			
	2015	Change	2016
GO Bonds and Premium on Bonds	\$ 7,352,887	\$ (758,687)	\$ 6,594,200
Capital leases	-	189,408	189,408
	\$ 7,352,887	\$ (569,279)	\$ 6,783,608

On September 30, 2014, the District issued \$7,900,000 in General Obligation bonds with a final maturity date of December 15, 2024. The purpose of the bonds are for renovations to the Ranch House, the Community Center and Dakota Lodge. Planned enhancements include both interior renovations to the facilities as well as improvements to the campuses on each of the sites. The bond projects also include the replacement of seven playgrounds, irrigation replacements in several parks and new entrance signage for Ken-Caryl Ranch.

During 2016 the District entered into 2 new capital leases for the purchase of fitness equipment (\$182,136) and a mini passenger bus (\$49,065).

The principal payments on outstanding debt were made as scheduled during 2016.

Additional information on the District's long-term obligations can be found in Note 5 of this report.

Ken-Caryl Ranch Metropolitan District

Management's Discussion and Analysis

December 31, 2016

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

For 2016, the District's assessed valuation increased for the first time since 2012. Since 2011, the District had lost more than 17% of its total assessed valuation as a result of the decreased property values. For 2017, the District will see a slight decrease in its property tax revenues resulting from a decrease in assessed valuation levels over 2016. Significant assessed valuation growth is anticipated once again in 2018 as a result of property value reassessments from a strong local real estate market.

The District focused its efforts in 2016 on completion of the bond projects and by the third quarter of the year was able to resume normal activities in its park and recreation functions. Program revenues are anticipated to begin to show improvement in 2017 and in particular for future years with the newly renovated facilities and additional programming space available.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Ken-Caryl Ranch Metropolitan District, 7676 South Continental Divide Road, Littleton, CO 80127, phone: (303) 979-1876.

BASIC FINANCIAL STATEMENTS

**KEN-CARYL RANCH METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
December 31, 2016**

ASSETS

Cash and investments - Unrestricted	\$ 531,771
Cash and investments - Restricted	110,175
Receivables, net:	
Accounts receivable	172,580
Ken-Caryl Ranch Master Association	23,724
Property tax receivable	3,680,838
Project deposits	27,830
Prepaid expenses	86,323
Prepaid bond insurance	10,593
Capital assets, not being depreciated	9,343,671
Capital assets, being depreciated, net of accumulated depreciation	<u>906,063</u>
Total assets	<u>14,893,568</u>

LIABILITIES

Accounts payable and other accrued liabilities	640,510
Refunds and deposits payable	37,844
Unearned revenue	97,781
Accrued interest payable	7,168
Long-term obligations:	
Due within one year	831,863
Due within more than one year	<u>5,951,745</u>
Total liabilities	<u>7,566,911</u>

DEFERRED INFLOWS OF RESOURCES

Deferred property tax revenue	<u>3,680,838</u>
Total deferred inflows of resources	<u>3,680,838</u>

NET POSITION

Net investment in capital assets	3,476,719
Restricted for:	
Emergencies	90,495
Parks and recreation	141,452
Community garden	12,013
Community garden reserve account	13,000
Veterans monument	12,203
Debt service	79,805
Unrestricted	<u>(179,868)</u>
Total net position	<u>\$ 3,645,819</u>

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

**KEN-CARYL RANCH METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
GOVERNMENTAL ACTIVITIES
Year Ended December 31, 2016**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
General government	\$ 809,150	\$ 158,613	\$ -	\$ -	\$ (650,537)
Parks and facilities	2,156,240	49,249	685	569,989	(1,536,317)
Recreation	636,470	282,004	-	-	(354,466)
Aquatics	259,333	73,414	-	-	(185,919)
Youth services	763,449	903,987	-	-	140,538
Tennis	536,380	561,772	-	-	25,392
Community garden	533	3,250	-	-	2,717
Veterans Memorial	-	-	-	16,800	16,800
Interest and debt issuance costs	155,332	-	-	-	(155,332)
	<u>\$ 5,316,887</u>	<u>\$ 2,032,289</u>	<u>\$ 685</u>	<u>\$ 586,789</u>	<u>(2,697,124)</u>

General revenues:

Taxes:	
Property taxes	3,683,444
Specific ownership taxes	295,660
Net investment earnings	7,662
Insurance recoveries	39,483
Gain on disposal of capital assets	3,500
Total general revenues	<u>4,029,749</u>
Change in net position	1,332,625
Net position - Beginning of year	<u>2,313,194</u>
Net position - End of year	<u>\$ 3,645,819</u>

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

**KEN-CARYL RANCH METROPOLITAN DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2016**

	General Fund	Conservation Trust and Grant Fund	Community Garden Fund
ASSETS			
Cash and investments - Unrestricted	\$ 216,913	\$ -	\$ 28,013
Cash and investments - Restricted	-	23,202	-
Accounts and grants receivable	54,330	118,250	-
Project deposits	-	-	-
Due from Ken-Caryl Ranch Master Association	23,724	-	-
Due from other funds	27,830	-	-
Prepaid expenditures	86,323	-	-
Property tax receivable	2,709,246	-	-
TOTAL ASSETS	\$ 3,118,366	\$ 141,452	\$ 28,013
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICIT)			
LIABILITIES			
Accounts payable and other accrued liabilities	\$ 638,610	\$ -	\$ 1,900
Refunds and deposits payable	37,844	-	-
Due to other funds	-	-	-
Unearned revenue	96,681	-	1,100
Total Liabilities	773,135	-	3,000
DEFERRED INFLOWS OF RESOURCES			
Deferred property tax revenues	2,709,246	-	-
Total Deferred Inflows of Resources	2,709,246	-	-
FUND BALANCES (DEFICIT)			
Nonspendable:			
Prepaid expenditures	86,323	-	-
Spendable:			
Restricted for:			
Emergencies	90,495	-	-
Parks and recreation	-	141,452	-
Community garden	-	-	12,013
Community garden reserve account	-	-	13,000
Veterans monument	-	-	-
Debt service	-	-	-
Committed for:			
Capital additions and improvements	-	-	-
Unassigned	(540,833)	-	-
Total Fund Balances (Deficit)	(364,015)	141,452	25,013
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICIT)	\$ 3,118,366	\$ 141,452	\$ 28,013

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

Some assets used in governmental activities are not financial resources and, therefore, are not reported in the Balance Sheet - Governmental Funds.

Prepaid bond insurance

Capital assets, net of accumulated depreciation

Some liabilities, including capital leases payable and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the Balance Sheet - Governmental Funds.

Bonds payable and premium on bonds

Capital leases payable

Accrued interest payable

Net position of governmental activities

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

Veterans Monument Fund	Debt Service Fund	Capital Reserve Fund	Bond Projects Capital Fund	Total Governmental Funds
\$ 12,203	\$ -	\$ 274,642	\$ -	\$ 531,771
-	86,973	-	-	110,175
-	-	-	-	172,580
-	-	-	27,830	27,830
-	-	-	-	23,724
-	-	-	-	27,830
-	-	-	-	86,323
-	971,592	-	-	3,680,838
<u>\$ 12,203</u>	<u>\$ 1,058,565</u>	<u>\$ 274,642</u>	<u>\$ 27,830</u>	<u>\$ 4,661,071</u>

\$ -	\$ -	\$ -	\$ -	\$ 640,510
-	-	-	-	37,844
-	-	-	27,830	27,830
-	-	-	-	97,781
-	-	-	27,830	803,965
-	971,592	-	-	3,680,838
-	971,592	-	-	3,680,838

-	-	-	-	86,323
-	-	-	-	90,495
-	-	-	-	141,452
-	-	-	-	12,013
-	-	-	-	13,000
12,203	-	-	-	12,203
-	86,973	-	-	86,973
-	-	274,642	-	274,642
-	-	-	-	(540,833)
<u>12,203</u>	<u>86,973</u>	<u>274,642</u>	<u>-</u>	<u>176,268</u>
<u>\$ 12,203</u>	<u>\$ 1,058,565</u>	<u>\$ 274,642</u>	<u>\$ 27,830</u>	

10,593
10,249,734

(6,594,200)
(189,408)
(7,168)
\$ 3,645,819

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

**KEN-CARYL RANCH METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES (DEFICIT) - GOVERNMENTAL FUNDS
Year Ended December 31, 2016**

	General Fund	Conservation Trust and Grant Fund	Community Garden Fund
REVENUES			
Property taxes	\$ 2,713,161	\$ -	\$ -
Specific ownership taxes	295,660	-	-
Intergovernmental	-	187,563	-
Program generated revenues	2,029,039	-	3,250
Net investment income	-	-	-
Contributions	685	-	-
Total revenues	<u>5,038,545</u>	<u>187,563</u>	<u>3,250</u>
EXPENDITURES			
General	780,335	-	-
Parks and facilities	2,008,923	8,263	-
Recreation	678,263	-	-
Aquatics	259,333	-	-
Youth services	751,244	-	-
Tennis	532,859	-	-
Community garden	-	-	533
Debt service	-	-	-
Capital outlay	293,435	153,295	-
Total expenditures	<u>5,304,392</u>	<u>161,558</u>	<u>533</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES			
	<u>(265,847)</u>	<u>26,005</u>	<u>2,717</u>
OTHER FINANCING SOURCES (USES)			
Transfer in	-	-	-
Transfer (out)	(190,000)	-	-
Capital leases issued	231,201	-	-
Insurance proceeds	39,483	-	-
Sale of capital assets	3,500	-	-
Total Other Financing Sources (Uses)	<u>84,184</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES			
	(181,663)	26,005	2,717
FUND BALANCES (DEFICIT) - BEGINNING OF YEAR			
	<u>(182,352)</u>	<u>115,447</u>	<u>22,296</u>
FUND BALANCES (DEFICIT) - END OF YEAR			
	<u>\$ (364,015)</u>	<u>\$ 141,452</u>	<u>\$ 25,013</u>

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

Veterans Monument Fund	Debt Service Fund	Capital Reserve Fund	Bond Projects Capital Fund	Total Governmental Funds
\$ -	\$ 970,283	\$ -	\$ -	\$ 3,683,444
-	-	-	-	295,660
-	-	-	-	187,563
-	-	-	-	2,032,289
-	-	-	7,662	7,662
6,800	-	-	382,426	389,911
<u>6,800</u>	<u>970,283</u>	<u>-</u>	<u>390,088</u>	<u>6,596,529</u>
-	14,555	-	-	794,890
2,133	-	-	-	2,019,319
-	-	-	-	678,263
-	-	-	-	259,333
-	-	-	-	751,244
-	-	-	-	532,859
-	-	-	-	533
-	913,350	-	-	913,350
13,760	-	20,238	6,638,719	7,119,447
<u>15,893</u>	<u>927,905</u>	<u>20,238</u>	<u>6,638,719</u>	<u>13,069,238</u>
(9,093)	42,378	(20,238)	(6,248,631)	(6,472,709)
-	-	190,000	155,841	345,841
-	-	(155,841)	-	(345,841)
-	-	-	-	231,201
-	-	-	-	39,483
-	-	-	-	3,500
-	-	34,159	155,841	274,184
(9,093)	42,378	13,921	(6,092,790)	(6,198,525)
21,296	44,595	260,721	6,092,790	6,374,793
<u>\$ 12,203</u>	<u>\$ 86,973</u>	<u>\$ 274,642</u>	<u>\$ -</u>	<u>\$ 176,268</u>

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

**KEN-CARYL RANCH METROPOLITAN DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES (DEFICIT) OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2016**

A reconciliation reflecting the differences between the governmental funds net change in fund balances and change in net position reported for governmental activities in the Statement of Activities as follows:

Net change in fund balances - Total governmental funds	<u>\$ (6,198,525)</u>
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>	
Capital outlay	7,119,447
Depreciation	<u>(166,907)</u>
	<u>6,952,540</u>
<p>The issuance of long-term obligations (e.g. bonds, capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term obligations consumes the current financial resources of governmental funds.</p>	
Bond principal payments	735,000
Amortization of bond premium	23,687
Capital leases issued	(231,201)
Capital lease principal payments	<u>41,793</u>
	<u>569,279</u>
<p>Some revenues reported in the Statement of Activities do not provide current financial resources and, therefore, are not reported as revenues in governmental funds.</p>	
Contributed capital assets	<u>10,000</u>
<p>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.</p>	
Amortization of prepaid bond insurance	(1,325)
Change in accrued interest payable	<u>656</u>
	<u>(669)</u>
Change in net position - Governmental activities	<u><u>\$ 1,332,625</u></u>

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

**KEN-CARYL RANCH METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE (DEFICIT) - BUDGET AND ACTUAL
GENERAL FUND
Year Ended December 31, 2016
(With Comparative Actual Amounts for 2015)**

	2016			Variance with Final Budget - Positive (Negative)	2015
	Original Adopted Budget	Final Adopted Budget	Actual		Actual
REVENUES					
Property taxes	\$ 2,714,377	\$ 2,713,161	\$ 2,713,161	\$ -	\$ 2,391,136
Specific ownership taxes	220,000	295,660	295,660	-	278,608
Program generated revenues	2,533,636	2,029,039	2,029,039	-	2,012,287
Net investment income	500	-	-	-	-
Contributions	-	685	685	-	2,100
Other	-	-	-	-	10,117
Total Revenues	<u>5,468,513</u>	<u>5,038,545</u>	<u>5,038,545</u>	<u>-</u>	<u>4,694,248</u>
EXPENDITURES					
Board of Directors	33,459	9,669	9,669	-	11,213
Finance	247,002	254,905	254,905	-	214,264
General operations	416,891	515,761	515,761	-	422,308
Open space resource management	4,000	4,987	4,987	-	6,508
Facilities	242,683	334,473	334,473	-	262,518
Turf care	262,619	233,444	233,444	-	213,139
Horticulture	55,900	70,050	70,050	-	156,598
Forestry care	102,820	79,947	79,947	-	-
Parks management	321,493	313,907	313,907	-	295,627
Fleet maintenance	211,170	201,603	201,603	-	202,322
Irrigation	458,762	447,065	447,065	-	478,552
Snow removal	4,529	1,990	1,990	-	25,188
Preventative maintenance	167,823	132,582	132,582	-	145,090
Maintenance shop	35,123	35,911	35,911	-	37,605
Youth playing fields	11,629	9,305	9,305	-	10,658
Community Center maintenance	126,961	143,659	143,659	-	119,441
Recreation management and operations	224,132	231,711	231,711	-	192,740
Environmental education	108,500	166,289	166,289	-	104,754
Wellness services	109,500	105,556	105,556	-	53,747
Recreation services	30,950	27,414	27,414	-	24,087
Cultural and community events	17,803	19,938	19,938	-	21,913
Community Center general operations	103,164	127,355	127,355	-	109,708
Aquatics - Ranch House	119,909	122,806	122,806	-	106,184
Aquatics - Bradford	34,077	29,146	29,146	-	36,905
Aquatics - Community Center	110,873	107,381	107,381	-	113,349
Youth Services	1,085,000	751,244	751,244	-	786,591
Tennis	544,500	532,859	532,859	-	510,759
Capital outlay	-	293,435	293,435	-	-
Salaries/employee merit	10,000	-	-	-	-
Contingency	61,240	-	-	-	-
Total Expenditures	<u>5,262,512</u>	<u>5,304,392</u>	<u>5,304,392</u>	<u>-</u>	<u>4,661,768</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>206,001</u>	<u>(265,847)</u>	<u>(265,847)</u>	<u>-</u>	<u>32,480</u>
OTHER FINANCING SOURCES (USES)					
Transfer in (out)	(200,000)	(190,000)	(190,000)	-	-
Capital leases issued	-	231,201	231,201	-	-
Insurance proceeds	-	39,483	39,483	-	-
Proceeds from disposal of capital assets	-	3,500	3,500	-	-
Total Other Financing Sources (Uses)	<u>(200,000)</u>	<u>84,184</u>	<u>84,184</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	6,001	(181,663)	(181,663)	-	32,480
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	<u>908,272</u>	<u>(182,352)</u>	<u>(182,352)</u>	<u>-</u>	<u>(214,832)</u>
FUND BALANCE (DEFICIT) - END OF YEAR	<u>\$ 914,273</u>	<u>\$ (364,015)</u>	<u>\$ (364,015)</u>	<u>\$ -</u>	<u>\$ (182,352)</u>

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

**KEN-CARYL RANCH METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
CONSERVATION TRUST AND GRANT FUND
Year Ended December 31, 2016
(With Comparative Actual Amounts for 2015)**

	<u>2016</u>			Variance with Final Budget - Positive (Negative)	<u>2015</u>
	Original Adopted Budget	Final Adopted Budget	Actual		Actual
REVENUES					
Intergovernmental:					
Conservation Trust Fund proceeds	\$ 53,000	\$ 60,313	\$ 60,313	\$ -	\$ 52,660
Grant revenue	54,250	127,250	127,250	-	-
Total Revenues	<u>107,250</u>	<u>187,563</u>	<u>187,563</u>	-	<u>52,660</u>
EXPENDITURES					
Parks	-	8,263	8,263	-	-
Capital outlay	84,744	153,295	153,295	-	-
Contingency	22,506	-	-	-	-
Total Expenditures	<u>107,250</u>	<u>161,558</u>	<u>161,558</u>	-	<u>-</u>
NET CHANGE IN FUND BALANCE	-	26,005	26,005	-	52,660
FUND BALANCE - BEGINNING OF YEAR	<u>48,787</u>	<u>115,447</u>	<u>115,447</u>	-	<u>62,787</u>
FUND BALANCE - END OF YEAR	<u>\$ 48,787</u>	<u>\$ 141,452</u>	<u>\$ 141,452</u>	\$ -	<u>\$ 115,447</u>

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

**KEN-CARYL RANCH METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
COMMUNITY GARDEN FUND
Year Ended December 31, 2016**

	2016			2015
	Original and Final Adopted Budget	Actual	Variance with Final Budget - Positive (Negative)	Actual
REVENUES				
Garden fees	\$ 2,100	\$ 3,250	\$ 1,150	\$ 3,450
Total Revenues	2,100	3,250	1,150	3,450
EXPENDITURES				
Garden supplies	1,500	533	967	454
Contingency	600	-	600	-
Total Expenditures	2,100	533	1,567	454
NET CHANGE IN FUND BALANCE	-	2,717	2,717	2,996
FUND BALANCE - BEGINNING OF YEAR	7,811	22,296	14,485	19,300
FUND BALANCE - END OF YEAR	\$ 7,811	\$ 25,013	\$ 17,202	\$ 22,296

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

**KEN-CARYL RANCH METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
VETERANS MONUMENT FUND
Year Ended December 31, 2016
(With Comparative Actual Amounts for 2015)**

	2016			Variance with Final Budget - Positive (Negative)	2015
	Original Adopted Budget	Final Adopted Budget	Actual		Actual
REVENUES					
Contributions	\$ 3,000	\$ 6,800	\$ 6,800	\$ -	\$ 26,854
Total Revenues	<u>3,000</u>	<u>6,800</u>	<u>6,800</u>	<u>-</u>	<u>26,854</u>
EXPENDITURES					
Parks and facility	-	2,133	2,133	-	-
Capital outlay	3,000	13,760	13,760	-	40,409
Total Expenditures	<u>3,000</u>	<u>15,893</u>	<u>15,893</u>	<u>-</u>	<u>40,409</u>
NET CHANGE IN FUND BALANCE	-	(9,093)	(9,093)	-	(13,555)
FUND BALANCE - BEGINNING OF YEAR	<u>1,421</u>	<u>21,296</u>	<u>21,296</u>	<u>-</u>	<u>34,851</u>
FUND BALANCE - END OF YEAR	<u>\$ 1,421</u>	<u>\$ 12,203</u>	<u>\$ 12,203</u>	<u>\$ -</u>	<u>\$ 21,296</u>

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

**KEN-CARYL RANCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 1 – DEFINITION OF REPORTING ENTITY

Ken-Caryl Ranch Metropolitan District (District), a quasi-municipal corporation, is governed pursuant to the provisions of the Colorado Special District Act. The District's service area is located in Jefferson County, Colorado. The District was established to provide park (including open space) and recreation, transportation and television relay and transmission services.

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity. The following entities are not part of the District's defined reporting entity as each of these entities has their own elected governing boards and are independent of the District as to fiscal accountability and financial affairs:

Ken-Caryl Ranch Master Association
The Ken-Caryl Ranch Foundation
Ken-Caryl Ranch Water and Sanitation District
Plains Metropolitan District

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Government-wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District. 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, with the difference between the assets, liabilities, and deferred inflows of resources of the District being 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.

**KEN-CARYL RANCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Depreciation is computed and recorded as an operating expense. Expenditures for capital assets are shown as increases in assets and redemption of bonds and notes are recorded as a reduction in liabilities.

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

The District reports the following major governmental funds:

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

The *Conservation Trust and Grant Fund* is used to account for State of Colorado Lottery proceeds and grant proceeds that are restricted for recreational expenditures.

The *Community Garden Fund* is used to account for the District's gardener user fees, expenditures and required reserves for the District's community garden program.

The *Veterans Monument Fund* is used to account for the contributions being accumulated for and the construction of a Veterans monument.

The *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of the District.

The *Capital Reserve Fund* is used to account for financial resources to be used for capital projects, improvements and assets.

The *Bond Projects Capital Fund* is used to account for proceeds from the District's General Obligation Bonds Series 2014 to be used for capital projects, improvements and capital assets.

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

**KEN-CARYL RANCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

Budgets

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

For the year ended December 31, 2016, supplementary appropriations approved by the District modified the appropriations for the General Fund, Conservation Trust and Grant Fund, Veterans Monument Fund, Capital Reserve Fund and Bond Projects Capital Fund.

For District management purposes, the District adopts budgets for the General Fund, Conservation Trust and Grant Fund, Community Gardens Fund, Veterans Monument Fund, Youth Services Fund, Tennis Fund, Debt Service Fund, Capital Reserves Fund and Bond Projects Capital Fund. However, for financial reporting in accordance with GASB 54, the Youth Services Fund and the Tennis Fund are combined into the General Fund and a combined appropriation is reported.

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.

Receivables

Receivables are reported net of an allowance for uncollectible accounts.

Prepaid Expenditures/Expenses

Certain payments to vendors for goods or services reflect costs applicable to future accounting periods are recorded as prepaid items in both government-wide and fund financial statements.

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 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 30 or if in equal installments, at the taxpayer's election, in February and June. 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 monthly to the District.

**KEN-CARYL RANCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

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

Capital Assets

Capital assets, which include property, equipment, and infrastructure assets (e.g. trails and bridges), are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the District as assets, including equipment, with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of three years, and improvements to buildings with a cost of more than \$50,000. District capital assets include assets owned by the District, as well as capital expenditures made by the District to property owned by third parties but operated and maintained by the District, and which are considered to be leasehold improvements to such assets. This category includes assets operated, maintained and improved by the District which are owned by the Ken-Caryl Ranch Master Association and Jefferson County.

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Property and equipment of the District, as well as any component units, is depreciated using the straight line method over the following estimated useful lives:

Land and land improvements	15 years
Buildings and improvements	10-40 years
Vehicles and equipment	5-15 years

Fund Balances – Governmental Funds

The District's governmental fund balances may consist of five classifications based on the relative strength of the spending constraints as follows:

Nonspendable fund balance—the amount of fund balance that is not in spendable form (such as inventory or prepaids) or is legally or contractually required to be maintained intact.

Restricted fund balance—the amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance—amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., Board of Directors). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.

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

**KEN-CARYL RANCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

Board of Directors delegates the authority.

Unassigned fund balance—amounts that are available for any purpose.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the District Board of Directors has provided otherwise in its commitment or assignment actions.

Intergovernmental Revenue

Intergovernmental revenue represents shared revenue and grants from the State of Colorado, Jefferson County and the Scientific and Cultural Facilities District.

Program Generated Revenue

Program generated revenue represents fees charges for recreational programs, landscape maintenance, tennis services and youth services.

Reclassifications

For comparability, certain 2015 amounts have been reclassified where appropriate to conform with the 2016 financial statement presentation.

NOTE 3 - CASH AND INVESTMENTS

Cash Deposits

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

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

At December 31, 2016, the District's cash deposits had a bank balance of \$739,414 and a carrying balance of \$639,461. In addition, the District had cash on hand of \$2,400.

Investments

Credit Risk

The District has adopted a formal investment policy, which allows the District to invest in the one or more of the following:

**KEN-CARYL RANCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

- . U.S. treasury bills, notes and bonds
- . Government agencies
- . Insured or fully-collateralized certificates of deposit at commercial banks
- . The Colorado Local Government Liquid Asset Trust (Colotrust Prime)
- . The Colorado Local Government Liquid Asset Trust (Colotrust PLUS+)
- . Commercial paper with a credit rating of A1/P1 – A1+/P1

The District has invested in a local government investment pool, the Colorado Local Government Liquid Asset Trust (COLOTRUST), which is rated AAAM by Standard & Poor's.

Interest Rate Risk

The District's investment policy states that the maturity of the securities shall be structured to avoid any undue concentration in any sector of the yield curve. No portion of the portfolio shall exceed five years in maturity with consideration for a laddering approach.

At December 31, 2016, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>
COLOTRUST	Weighted average under 60 days	\$ <u>85</u>

COLOTRUST

At December 31, 2016, the District has invested in the Colorado Local Government Liquid Asset Trust (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreement collateralized by certain obligations of the U.S. government agencies. COLOTRUST is rated AAAM by Standard and Poor's.

Concentration of Credit Risk

The District's investment policy states that the composition of the portfolio will vary according to market opportunities at the discretion of District management and the District Treasurer. However, at no time may the total investment in Commercial Paper exceed 25% of the overall District investment portfolio.

Following is the composition of the District's cash and investment portfolio as of December 31, 2016:

Cash on hand	\$ 2,400
Deposits with financial institutions	639,461
Investments	<u>85</u>
Total cash and investments	<u>\$ 641,946</u>

**KEN-CARYL RANCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

Cash and investments are reported in the financial statements at December 31, 2016 as follows:

Cash and investments - Unrestricted	\$ 531,771
Cash and investments - Restricted	<u>110,175</u>
	<u><u>\$ 641,946</u></u>

The restricted cash and investments of \$110,175 at December 31, 2016 is comprised of the following: \$23,202 of unspent Conservation Trust Fund (Colorado Lottery) proceeds which are restricted for parks and recreation purposes and \$86,973 of accumulated property taxes that were levied for payment of the debt service on the District's Series 2014 General Obligation Bonds.

Investment Valuation

The District has certain investments which are measured at fair value on a recurring basis are categorized within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District's investment in COLOTRUST are valued using Level 2 inputs.

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**KEN-CARYL RANCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 4 - CAPITAL ASSETS

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

	<u>Balance at December 31, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2016</u>
Governmental activities				
Capital assets, not being depreciated:				
Land and land improvements	\$ 916,425	\$ -	\$ -	\$ 916,425
Construction in progress:				
Veterans monument	47,570	2,486	-	50,056
Community Center improvements	64,380	3,618,445	-	3,682,825
Ranch House improvements	937,081	1,364,412	-	2,301,493
Dakota Lodge improvements	568,933	837,564	-	1,406,497
Park and landscape improvements	72,369	914,006	-	986,375
Entry signage	193,551	-	(193,551)	-
Total capital assets, not being depreciated	<u>2,800,309</u>	<u>6,736,913</u>	<u>(193,551)</u>	<u>9,343,671</u>
Capital assets, being depreciated:				
Land and land improvements	154,375	247,509	-	401,884
Buildings and improvements	257,548	-	-	257,548
Vehicles and equipment	1,265,010	338,576	(7,565)	1,596,021
Total capital assets, being depreciated	<u>1,676,933</u>	<u>586,085</u>	<u>(7,565)</u>	<u>2,255,453</u>
Less accumulated depreciation for:				
Land and land improvements	(20,583)	(26,793)	-	(47,376)
Buildings and improvements	(111,866)	(11,120)	-	(122,986)
Vehicles and equipment	(1,057,599)	(128,994)	7,565	(1,179,028)
Total accumulated depreciation	<u>(1,190,048)</u>	<u>(166,907)</u>	<u>7,565</u>	<u>(1,349,390)</u>
Total capital assets, being depreciated, net	<u>486,885</u>	<u>419,178</u>	<u>-</u>	<u>906,063</u>
Government capital assets, net	<u>\$ 3,287,194</u>	<u>\$ 7,156,091</u>	<u>\$ (193,551)</u>	<u>\$ 10,249,734</u>

Depreciation expense was charged to the following functions/programs:

General	\$ 14,260
Parks and facilities	136,921
Youth services	12,205
Tennis	3,521
	<u>\$ 166,907</u>

**KEN-CARYL RANCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 5 – LONG-TERM OBLIGATIONS

The following is an analysis of the changes in the District’s long-term obligations for the year ended December 31, 2016.

	<u>Balance at December 31, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2016</u>	<u>Due Within One Year</u>
GO Bonds, Series 2014:					
GO Bonds	\$ 7,220,000	\$ -	\$ (735,000)	\$ 6,485,000	\$ 750,000
Premium on GO Bonds	132,887	-	(23,687)	109,200	21,739
Capital Leases:					
Mini Bus	-	49,065	(9,237)	39,828	16,043
Fitness Equipment	-	182,136	(32,556)	149,580	44,081
	<u>\$ 7,352,887</u>	<u>\$ 231,201</u>	<u>\$ (800,480)</u>	<u>\$ 6,783,608</u>	<u>\$ 831,863</u>

General Obligation Bonds, Series 2014

On September 20, 2014, the District issued \$7,900,000 of General Obligation Bonds, Series 2014. The bonds were issued to fund various improvements to community parks and recreation amenities and facilities within the District’s boundaries. The bonds are serial bonds bearing interest at 2.00% and 3.00% with interest payments due semiannually on June 15 and December 15, commencing on June 15, 2015. Principal on the bonds is due annually on December 15, beginning December 15, 2015. Final maturity of the bonds is December 15, 2024. The bonds maturing on and before December 15, 2019 are not subject to redemption prior to maturity. The bonds maturing on and after December 15, 2020 are subject to redemption prior to maturity at the option of the District on December 15, 2019 or on any date thereafter at a redemption price equal to the principal amount so redeemed plus accrued interest to the redemption date, without a redemption premium. The bonds are secured by the District’s full faith and credit and are general obligations of the District payable from a separate voter-approved ad valorem taxes to be levied, without limitation as to rate, in an amount to pay the principal and interest on the bonds when due. The scheduled payments of principal and interest on the bonds are guaranteed under an insurance policy through the Municipal Assurance Corp. an Assured Guaranty Company.

The District’s long-term obligations will mature as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 750,000	\$ 163,650	\$ 913,650
2018	765,000	148,650	913,650
2019	780,000	133,350	913,350
2020	795,000	117,750	912,750
2021	810,000	101,850	911,850
2022-2024	2,585,000	156,750	2,741,750
	<u>\$ 6,485,000</u>	<u>\$ 822,000</u>	<u>\$ 7,307,000</u>

At December 31, 2015, the District had no authorized but unissued debt.

**KEN-CARYL RANCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

Capital Leases

Fitness Equipment

On November 5, 2015 the District entered into a Master Governmental Lease Purchase Agreement with Wells Fargo Equipment Finance, Inc. On November 5, 2015 the District entered into a Supplement to Master Governmental Lease Purchase Agreement (Fitness Equipment Lease) regarding the lease purchase of certain fitness equipment for a total of \$202,373, of which \$182,136 was financed with this Fitness Equipment Lease. The associated fitness equipment was purchased and delivered in 2016. The Fitness Equipment Lease is for a term of 48 months and requires monthly payments beginning in April 2016 in the amount of \$4,083, including interest at 3.79%, with final payment due in March 2020. During 2016 the District paid and recognized interest expense of \$4,186. As of December 31, 2016, the fitness equipment had a net book value of \$161,899, including accumulated depreciation of \$40,474.

Mini Passenger Bus

On November 5, 2015 the District entered into a Master Governmental Lease Purchase Agreement with Wells Fargo Equipment Finance, Inc. On January 5, 2016 the District entered into a Supplement to Master Governmental Lease Purchase Agreement (Mini Bus Lease) regarding the lease purchase of a Mini Passenger Bus for a total of \$49,065. The associated Mini Passenger Bus was purchased and delivered in 2016. The Mini Bus Lease is for a term of 36 months and requires monthly payments beginning in June 2016 in the amount of \$1,439, including interest at 3.77%, with final payment due in May 2019. During 2016 the District paid and recognized interest expense of \$836. As of December 31, 2016, the Mini Passenger Bus had a net book value of \$42,056, including accumulated depreciation of \$7,009.

The future minimum lease payments on these capital leases as of December 31, 2016 are as follows:

Year Ending	
2017	\$ 66,258
2018	66,258
2019	56,185
2020	<u>12,248</u>
Total minimum lease payments	200,949
Less amount representing interest	<u>(11,541)</u>
Present value of minimum lease payments	<u><u>\$ 189,408</u></u>

Operating Leases

The District has entered into the following lease agreements.

Community Center Lease

During December 1991, the District entered into a lease agreement with Jefferson County (County) for the operation and maintenance of the Ken-Caryl Ranch Community Center (Community Center). The initial term of the lease is 35 years with an annual rental fee of \$1 which was paid in full upon execution of the lease. The lease may be renewed for one additional 35 year term or in the absence of such renewal, shall remain in effect after the initial

**KEN-CARYL RANCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
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term on a month to month basis. Improvements to the Community Center will be paid for by the District. All improvements to the Community Center remain the property of the County. On June 18, 2015, the District and the County entered into an amendment to this lease agreement which extended the lease expiration date from December 12, 2026 to December 12, 2036. Additionally, the amendment modified various other terms of the lease agreement, including the addition of a provision whereby the County may deed the Community Center to the District upon satisfaction of various terms.

Maintenance Shop Lease

On January 1, 2001, the District entered into a lease agreement with the Association to rent the maintenance shop. The initial term of the lease was 1 year with an annual rental fee of \$1 which was paid in full upon execution of the lease. The lease will renew automatically for additional 1 year terms. Improvements to the maintenance shop will be paid for by the District. Upon termination of the lease, any improvements, upon written request of the Association can be removed by the District.

Land Leases

During 1993, the District entered into an agreement to lease a tract of land from the Jefferson County School District No. R-1 (School District). The initial term of the lease was one year with an annual lease fee of \$1,000 and the option to renew annually. The lease was amended in 1996 to include a second tract of land. The District is responsible for the maintenance of the land and has constructed recreational fields and equipment on one of the tracts. The School District may cancel the lease upon six months notice if the School District intends to build a school on the site or sell it. The District's obligations with respect to this land have been limited by an Agreement between the District and the North Ranch Homeowners Association. If so canceled, the School District will reimburse the District for a pro rata share of construction costs incurred, based on the remaining useful life of the facilities constructed.

Other Leases

The District has entered into other lease agreements in which the District assumes responsibility for the total management and maintenance of designated open space land. These include the following properties:

- a) 119 acres of open space land known as Parcel A owned by Jefferson County and lease by the District for 25 years beginning October 1994, for \$1 per year.
- b) 57 acres of open space land known as the Bethel College site owned by Jefferson County and leased by the District for 25 years beginning in May 1992, for \$1 per year.

NOTE 6 – RELATED PARTY TRANSACTIONS

Operations Agreement with Ken-Caryl Ranch Master Association

Effective January 1, 1989, the District entered into a long-term Reorganization Agreement (Agreement) with the Association to assume responsibility for the operation of certain recreational programs, the operation and maintenance of parks/recreation facilities, and the maintenance of parks, open space and landscaping on behalf of the Association. The

**KEN-CARYL RANCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
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Agreement provides the District with a license to occupy and use Association property and facilities in order to perform these functions; however, title to the property and facilities remains with the Association. The District is responsible for all costs of operations and maintenance. The Agreement automatically renews annually unless terminated by either entity with at least 120 days notice prior to the end of any calendar year; provided however, the Association can only give notice if the District fails to perform its obligations under the Agreement. During 2014 the District and the Association entered into the First Amendment to Reorganization Agreement modifying several sections of the original Agreement.

Shared Expenditures with Ken-Caryl Ranch Master Association

The District and Association incur expenditures on behalf of each other for administrative services, office supplies and open space management. The expenditures are reimbursed on a monthly basis. On January 1, 2001, the District and Association entered into a Cooperative Agreement for Open Space which included Open Space Management, Open Space Education Programs and Lease Purchase of Open Space Equipment. During 2016, the Association reimbursed the District \$239,225 under the agreement. Additionally during 2016, the Association contributed reimbursed the District \$3,386 for snow removal, contributed \$100,000 toward the irrigation costs incurred by the District, and \$382,426 toward the bond capital project costs incurred by the District.

Ken-Caryl Ranch Foundation

The Ken-Caryl Ranch Foundation (Foundation) is a Colorado non-profit corporation. Although its original articles of incorporation set forth a detailed list of the activities it was organized to perform, the IRS required the Foundation incorporators to remove this detailed list of purposes as a condition to granting the Foundation tax-exempt status. Accordingly, at this time, the Foundation is limited to the purposes permitted a tax-exempt non-profit corporation and those activities coming within the scope of the Colorado non-profit corporations act.

On February 4, 2003, the Foundation conveyed the Dakota Hogback open space to the District in exchange for open space owned by the District. The open space exchange provides the District with more contiguous, usable open space for the use and enjoyment of its citizens.

NOTE 7 - FUND EQUITY

At December 31, 2016, the District reported the following classifications of fund equity.

Nonspendable Fund Balance

The nonspendable fund balance in the General Fund in the amount of \$86,323 is comprised of prepaid amounts which are not in spendable form.

Restricted Fund Balance

The restricted fund balance in the General Fund in the amount of \$90,495 is comprised of the Emergency Reserves that have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado (see Note 12).

**KEN-CARYL RANCH METROPOLITAN DISTRICT
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The restricted fund balance in the Conservation Trust and Grant Fund in the amount of \$141,452 represents amounts restricted for parks and recreation capital and certain operating uses.

The restricted fund balance in the Community Garden Fund in the amount of \$12,013 represents unspent contributions and garden fees that are restricted to the operations of the community garden.

The restricted fund balance in the Community Garden Fund the amount of \$13,000 is restricted by agreement to be used for the primary purpose of restoring the area where the community garden was constructed to the conditions existing prior to the construction of the community garden. Additionally, if there are no other funds in the Community Garden Fund, the funds may also be used for the repair of damage or vandalism to, or maintenance or repair of the community garden and/or premises.

The restricted fund balance in the Veterans Monument Fund in the amount of \$12,203 is restricted by contributors to be used for the construction and operation of the Veterans Monument.

The restricted fund balance in the Debt Service Fund of \$86,973 is to be used for the payment of debt service on the District's General Obligation Bonds, Series 2014.

Committed Fund Balance

The committed fund balance in the Capital Reserve Fund in the amount of \$274,642 has been committed by the District's Board of Directors for capital additions and improvements.

Deficit Fund Balance

As of December 31, 2016, the General Fund reported an overall fund balance deficit of (\$540,833). The District anticipates this deficit will be eliminated by positive operating results in 2017.

NOTE 8 - NET POSITION

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

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2016, the District had invested in capital assets of \$3,476,719.

Restricted net position includes amounts that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had restricted net position as of December 31, 2016 as follows:

**KEN-CARYL RANCH METROPOLITAN DISTRICT
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Restricted for:

Emergencies (see Note 12)	\$ 90,495
Parks and recreation	141,452
Community garden	12,013
Community garden reserve account	13,000
Veterans monument	12,203
Debt service	79,805
	<u>\$ 348,968</u>

NOTE 9 – PENSION PLANS

Deferred Compensation Plan

The District has two deferred compensation plans created in accordance with Internal Revenue Code Section 457. The plans are administered by the ICMA Retirement Corporation. The plans allow the employees to defer a portion of their salary until future years.

One plan (PTS) is for part-time and seasonal employees. Beginning January 1, 1999, all part-time employees of the District began contributing 6.2% of compensation to the Section 457 Deferred Compensation Plan in lieu of Social Security contributions. Under this plan, 6.2% of the employee's compensation is withheld and remitted to the plan administrator along with a matching payment of 6.2% from the District. The District and employees made the required contributions for 2016 of \$59,655 and \$59,655, respectively. At December 31, 2016, \$2,804 of contributions were due to the pension plan.

The second plan (District Plan) is for full time employees and part-time employees who have completed one year of service and elect to participate in the plan. The full time employees may make elective contributions to the plan, which are not matched by the District. Part-time employees in this plan and the District are required to contribute in the same percentages as the PTS plan. 6.2% of the employee's compensation is withheld and remitted to the plan administrator along with a matching payment of 6.2% from the District. The District and employees made elective and required contributions for 2016 of \$12,589 and \$99,106, respectively. At December 31, 2016, \$4,732 of contributions were due to the pension plan.

Effective January 1, 1997, the District amended the plan to require all amounts deferred to be held in trust for the exclusive benefit of the participating employees and not be accessible by the District or its creditors.

Defined Contribution Plan

The salaried employees of the District began participating in a defined contribution plan, maintained and administered by ICMA Retirement Corporation, on October 20, 1993. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Beginning January 1, 1999, salaried employees began contributing a mandatory 10.0% of their earnings to this plan in lieu of contributions to Social Security. Participation for salaried employees is mandatory upon employment. Under this plan, 10.0% of the employee's compensation is withheld and remitted to the plan Administrator along with a matching payment of 10.0% from the District. The District's contributions, plus earnings, become vested at a rate of 25% for each year of employment and 100% after four years of employment. District contributions for employees who leave employment before four years of

**KEN-CARYL RANCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

participation are used to reduce future period contributions of the District. There is no liability for benefits under the plan beyond the District's matching payments. Plan provisions and contribution requirements are established and may be amended by the District's Board of Directors. The District and employees made the required contributions for 2016 of \$153,979 and \$153,979, respectively. At December 31, 2016, \$11,976 of contributions were due to the pension plan.

NOTE 10 – 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 property, liability, public officials' liability, boiler and machinery and workers compensation coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

Plains Metropolitan District Litigation

Since 2004, the District has been involved in litigation with the Plains Metropolitan District ("Plains"). The case went through two trials and two appeals. The District ultimately prevailed. The District obtained a Judgment that requires Plains to pay for and construct certain Recreation Facilities. The amount Plains is required to pay for the recreation facilities was determined by calculating the present value of the budgeted amounts set forth in Plains' original Service Plan.

Following entry of the Judgment, in favor of the District, representatives of the District and Plains negotiated a plan for Plains to meet its obligations under the Judgment. The negotiations resulted in an agreement that was put in the form of a proposed Stipulated Supplemental Judgment. Both District Boards approved the Stipulated Supplemental Judgment. The proposed Stipulated Supplemental Judgment was then submitted to the Court for approval. The Stipulated Supplemental Judgment was approved and entered as a Court Order on May 8, 2017.

The Stipulated Supplemental Judgment provides that Plains will pay an agreed-upon amount of money to the District in installments. The funds to be paid by Plains must be used to build new recreation facilities and/or replace and renovate existing Ken-Caryl Ranch facilities. The District will determine how the funds are spent. The District will operate and maintain the recreation facilities built, replaced and/or renovated with the funds paid by Plains.

**KEN-CARYL RANCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

Pursuant to the Stipulated Supplemental Judgment, Plains must pay the District a total of \$3.5 million. During 2017, Plains has paid \$1,058,000 to the District. The remaining amount must be paid pursuant to a payment schedule set forth in the Stipulated Supplemental Judgment. The payments are without interest if paid when due. The District required in the agreement that Plains will pay \$3.5 million be in the form of a Court-approved Stipulated Supplemental Judgment. A Stipulated Supplemental Judgment allows the District to enforce the payment agreement without having to file a new lawsuit.

NOTE 12 - 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 that apply to the State of Colorado and all local governments.

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

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

On May 7, 2002, the voters of the District approved the following TABOR ballot question:

“Shall the Ken-Caryl Ranch Metropolitan District be permitted to collect, retain and expend all revenue it receives in 2002 as a voter-approved revenue change an property tax revenue change under Article X, Section 20 of the Colorado constitution, and to exceed in 2002 the 5.5% property tax revenue growth limitation contained in Section 29-1-301, Colorado Revised Statutes and any other revenue limitation contained in the laws of the state for the purpose of: the design and renovation of median islands throughout the Ken-Caryl Ranch Metropolitan District?”

On May 6, 2008, the voters of the District approved the following TABOR ballot questions:

“Shall Ken-Caryl Ranch Metropolitan District taxes be increased \$489,385 (first full fiscal year dollar increase) annually, to be levied in year 2008 for collection in the calendar year 2009, and by such additional amounts raised annually thereafter, by increasing its existing property tax by 2.5 mills to be used by the District for capital improvements, maintenance and general administrative/operational purposes?”

“Shall the Ken-Caryl Ranch Metropolitan District be authorized to collect, retain an spend all money collected from property taxes and all other revenue sources, effective January 1, 2008 and every year thereafter, for capital improvements, maintenance and general administrative/operational purposes as a voter approved exception to the revenue and spending limits of Article X, Section 20 of the Colorado constitution, the 5.5% property tax limitation of Section 29-1-301, Colorado Revised Statutes, and the revenue and spending limits of any other state law?”

**KEN-CARYL RANCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

On May 6, 2014, the voters of the District approved the following TABOR ballot question:

“Shall Ken-Caryl Ranch Metropolitan District (the “District”) debt be increased \$7,900,000, with a repayment cost of \$9,700,000 or by such lesser amount as may be necessary, and shall the District’s taxes be increased \$970,000 annually or by such lesser amount as may be necessary for the payment of such debt and any refundings thereof, such debt to be general obligation bonds or other obligations of the District, including contracts or leases (the “Bonds”), all the purpose of designing, improving, constructing, relocating, installing, completing, and other providing improvements to community parks and recreation amenities and facilities within the District’s boundaries.”

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 13 –SHORT TERM FINANCING

Effective November 3, 2015 the District entered into a Promissory Note with the Ken-Caryl Ranch Master Association whereby the Association agreed to advance up to \$300,000 of funds to the District during the Period January 1, 2016 through April 15, 2016 to assist the District with short term cash flow needs. The District agreed to pay the Association the same interest rate that the Association would receive if the funds were invested in certificates of deposit. The District agreed to repay the Association the principal and interest no later than April 15, 2016. The District could prepay the note without penalty.

In January 2016, the District drew \$100,000 on the Promissory Note. The District repaid the \$100,000 and accrued interest of \$51 on March 24, 2016.

NOTE 14 – SUBSEQUENT EVENT – SHORT TERM FINANCING

On January 17, 2017, the District entered into a Promissory Note with the Ken-Caryl Ranch Master Association (Association) whereby the Association agreed to advance \$85,000 to the District on or before March 1, 2017 to assist in the construction of two new post-tension tennis courts at the Community Center. The District agreed to pay the Association the same interest rate that the Association would receive if the funds were invested in certificates of deposit with a three year or shorter term. If the Association has no short term certificates of deposit, then the interest rate shall be 1.5%. The District agreed to repay the Association the principal and interest no later than December 31, 2018.

In March 2017, the District drew \$85,000 on the Promissory Note. The District repaid the \$85,000 and accrued interest of \$126 on May 31, 2017.

NOTE 15 – INTERFUND TRANSFERS

During 2016 the General Fund transferred \$190,000 to the Capital Reserve Fund as assigned by the Board of Directors for future capital improvements. Also during 2016, the Capital Reserve Fund transferred \$155,841 to the Bond Projects Capital Fund to assist with funding shortfalls related to the capital improvement projects that were primarily funded from the 2014 bond proceeds.

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

SUPPLEMENTAL INFORMATION

**KEN-CARYL RANCH METROPOLITAN DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
DEBT SERVICE FUND
Year Ended December 31, 2016
(With Comparative Actual Amounts for 2015)**

	2016		Variance with Final Budget - Positive (Negative)	2015
	Original and Final Adopted Budget	Actual		Actual
REVENUES				
Property taxes	\$ 970,553	\$ 970,283	\$ (270)	\$ 971,099
Net investment income	-	-	-	-
Total Revenues	970,553	970,283	(270)	971,099
EXPENDITURES				
Treasurer fees	15,000	14,555	445	14,565
Bond principal	735,000	735,000	-	680,000
Bond interest	178,350	178,350	-	231,939
Contingency	42,203	-	42,203	-
Total Expenditures	970,553	927,905	42,648	926,504
NET CHANGE IN FUND BALANCE	-	42,378	42,378	44,595
FUND BALANCE - BEGINNING OF YEAR	43,613	44,595	982	-
FUND BALANCE - END OF YEAR	\$ 43,613	\$ 86,973	\$ 43,360	\$ 44,595

KEN-CARYL RANCH METROPOLITAN DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
CAPITAL RESERVE FUND
Year Ended December 31, 2016
(With Comparative Actual Amounts for 2015)

	<u>2016</u>			Variance with Final Budget - Positive (Negative)	<u>2015</u>
	Original Adopted Budget	Final Adopted Budget	Actual		Actual
REVENUES					
Total Revenues	\$ -	\$ -	\$ -	\$ -	\$ -
EXPENDITURES					
Significant capital asset repairs	-	-	-	-	10,558
Capital outlay	20,237	20,237	20,238	(1)	-
Contingency	179,763	169,763	-	169,763	-
Total Expenditures	<u>200,000</u>	<u>190,000</u>	<u>20,238</u>	<u>169,762</u>	<u>10,558</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>(200,000)</u>	<u>(190,000)</u>	<u>(20,238)</u>	<u>169,762</u>	<u>(10,558)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	200,000	190,000	190,000	-	-
Transfers (out)	-	-	(155,841)	(155,841)	-
Total other financing sources (uses)	<u>200,000</u>	<u>190,000</u>	<u>34,159</u>	<u>(155,841)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	-	-	13,921	13,921	(10,558)
FUND BALANCE - BEGINNING OF YEAR	<u>260,720</u>	<u>260,721</u>	<u>260,721</u>	<u>-</u>	<u>271,279</u>
FUND BALANCE - END OF YEAR	<u>\$ 260,720</u>	<u>\$ 260,721</u>	<u>\$ 274,642</u>	<u>\$ 13,921</u>	<u>\$ 260,721</u>

**KEN-CARYL RANCH METROPOLITAN DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
BOND PROJECTS CAPITAL FUND
Year Ended December 31, 2016
(With Comparative Actual Amounts for 2015)**

	2016			Variance with Final Budget - Positive (Negative)	2015
	Original Adopted Budget	Final Adopted Budget	Actual		Actual
REVENUES					
Net investment income	\$ 8,300	\$ 7,662	\$ 7,662	\$ -	\$ 14,360
Contributions		382,426	382,426	-	-
Total Revenues	<u>8,300</u>	<u>390,088</u>	<u>390,088</u>	<u>-</u>	<u>14,360</u>
EXPENDITURES					
Capital outlay	<u>8,300</u>	<u>6,638,719</u>	<u>6,638,719</u>	<u>-</u>	<u>1,793,382</u>
Total Expenditures	<u>8,300</u>	<u>6,638,719</u>	<u>6,638,719</u>	<u>-</u>	<u>1,793,382</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>(6,248,631)</u>	<u>(6,248,631)</u>	<u>-</u>	<u>(1,779,022)</u>
OTHER FINANCING SOURCES					
Transfers in	<u>-</u>	<u>155,841</u>	<u>155,841</u>	<u>-</u>	<u>-</u>
Total other financing sources	<u>-</u>	<u>155,841</u>	<u>155,841</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>-</u>	<u>(6,092,790)</u>	<u>(6,092,790)</u>	<u>-</u>	<u>(1,779,022)</u>
FUND BALANCE - BEGINNING OF YEAR	<u>6,581,312</u>	<u>6,092,790</u>	<u>6,092,790</u>	<u>-</u>	<u>7,871,812</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 6,581,312</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 6,092,790</u></u>

OTHER INFORMATION

**KEN-CARYL RANCH METROPOLITAN DISTRICT
SUMMARY OF ASSESSED VALUATION , MILL LEVY
AND PROPERTY TAXES COLLECTED
December 31, 2016**

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied		Property Taxes		Percentage Collected to Levied
		Operations	Debt Service	Levied	Collected	
1994	\$ 97,678,070	14.950	0.000	\$ 1,460,287	\$ 1,458,485	99.9%
1995	\$ 99,959,430	14.950	0.000	\$ 1,494,393	\$ 1,489,631	99.7%
1996	\$ 105,177,210	14.950	0.000	\$ 1,572,399	\$ 1,562,599	99.4%
1997	\$ 107,624,860	14.950	0.000	\$ 1,608,992	\$ 1,597,157	99.3%
1998	\$ 112,701,760	14.950	0.000	\$ 1,684,891	\$ 1,655,886	98.3%
1999	\$ 111,458,530	14.950	0.000	\$ 1,666,305	\$ 1,663,473	99.8%
2000	\$ 121,478,580	14.950	0.000	\$ 1,816,105	\$ 1,811,055	99.7%
2001	\$ 121,881,950	14.420	0.000	\$ 1,757,538	\$ 1,759,045	100.1%
2002	\$ 148,012,010	14.420	0.000	\$ 2,134,333	\$ 2,179,870	102.1%
2003	\$ 147,078,030	14.950	0.000	\$ 2,198,817	\$ 2,153,742	98.0%
2004	\$ 147,806,287	13.360	0.000	\$ 1,974,692	\$ 1,972,930	99.9%
2005	\$ 146,490,300	14.420	0.000	\$ 2,112,390	\$ 2,105,363	99.7%
2006	\$ 154,445,800	14.420	0.000	\$ 2,227,108	\$ 2,220,206	99.7%
2007	\$ 155,245,130	14.170	0.000	\$ 2,199,823	\$ 2,210,448	100.5%
2008	\$ 186,432,440	12.710	0.000	\$ 2,369,556	\$ 2,351,652	99.2%
2009	\$ 181,810,400	15.339	0.000	\$ 2,788,789	\$ 2,785,023	99.9%
2010	\$ 182,926,380	15.228	0.000	\$ 2,785,603	\$ 2,784,186	99.9%
2011	\$ 189,705,940	15.240	0.000	\$ 2,891,119	\$ 2,887,763	99.9%
2012	\$ 174,144,901	15.242	0.000	\$ 2,654,317	\$ 2,650,780	99.9%
2013	\$ 159,481,779	15.239	0.000	\$ 2,430,343	\$ 2,431,992	100.1%
2014	\$ 157,215,944	15.227	0.000	\$ 2,393,927	\$ 2,394,032	100.0%
2015	\$ 157,047,445	15.217	6.180	\$ 3,360,344	\$ 3,362,235	100.1%
2016	\$ 178,471,735	15.214	5.440	\$ 3,686,155	\$ 3,683,444	99.9%
Estimated for year ending December 31, 2017	\$ 177,947,187	15.225	5.460	\$ 3,680,838		

NOTE: Property taxes collected in any one year include collection of delinquent property taxes levied in prior years. Information received from the County Treasurer does not permit identification of specific year of levy.

**KEN-CARYL RANCH METROPOLITAN DISTRICT
TOP TAXPAYERS WITHIN THE DISTRICT
December 31, 2016**

Name/Business	Assessed Valuation for 2017 Taxes Levied	% of 2017 Total District Assessed Valuation
LMC Properties (Lockheed Martin)	\$ 13,928,674	7.83%
Johns Manville	4,925,549	2.77%
Public Service Company of Colorado	1,093,760	0.61%
Marketplace at Ken-Caryl LTD	1,055,252	0.59%
Pavlovsky LLC	849,671	0.48%
KC Mountain View Properties LLC	797,500	0.45%
Kipling Investment Group	741,327	0.42%
Public Storage	595,036	0.33%
Emery Real Estate Holding CO LLC	571,271	0.32%
Bizu Ltd. LLC	562,223	0.32%
10639 Bradford LLC	556,771	0.31%
Envirotest Systems Corp	556,539	0.31%
Realty Income Corporation	550,507	0.31%
Alma D Gianolini Trust LLC	548,129	0.31%
KDD Co. LLC	501,700	0.28%
280 290 Columbine LLC	452,052	0.25%
Bell Advisors LLC	449,500	0.25%
Halax LLC	426,300	0.24%
Johnson Controls	421,573	0.24%
Jeln LLC	408,929	0.23%
SNH ATL Leased Properties Trust	407,267	0.23%
	\$ 30,399,530	17.08%

Source: Jefferson County Assessor's Office

**KEN-CARYL RANCH METROPOLITAN DISTRICT
 ASSESSED VALUATION OF CLASSES OF
 PROPERTY IN THE DISTRICT
 December 31, 2016**

<u>Property Class</u>	<u>Assessed Valuation for 2017 Taxes Levied</u>	<u>% of Total Assessed Valuation</u>
Residential	\$ 142,069,771	79.84%
Commercial/Industrial	32,851,947	18.46%
State Assessed (Public Utilities)	1,893,074	1.06%
Vacant Land	1,132,395	0.64%
Total	<u>\$ 177,947,187</u>	<u>100.00%</u>

Source: Jefferson County Assessor's Office



SCHILLING & COMPANY, INC.

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Board of Directors and Management
Ken-Caryl Ranch Metropolitan District
Jefferson County, Colorado

In planning and performing our audit of the financial statements of the governmental activities and each major fund of Ken-Caryl Ranch Metropolitan District (District) as of and for the year ended December 31, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiencies in District's internal control to be material weaknesses:

MONITORING OF FINANCIAL ACCOUNTING AND REPORTING

As noted above, the design and operation of internal controls is to allow for management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements in a timely manner. However, while performing the audit of the District's December 31, 2016 financial statements, we noted material misstatements in the accounting records and financial statements which required in excess of forty audit adjusting journal entries to correct the misstatements. As independent auditors performing the annual audit process, we cannot be considered part of the District's internal control system and should not be relied upon to prevent, detect and correct misstatements in the District's financial statements.

For the misstatements noted during our audit process, it appears they were caused by insufficient monitoring of the District's financial accounting and reporting processes. This may have been the result of District personnel re-directing available time and resources to the management and oversight of the significant capital projects that were ongoing in 2016, as well as the disruption in the normal day-to-day operations as a result of the significant renovations at

the Ranch House. Details of some of the more significant areas where misstatements were noted are as follows:

- There appeared to be inadequate testing and monitoring of the interface of the Active Network recreation management software which was implemented in 2016. This included the export of data from Active Network into the District's general ledger and testing and verifying how Active Network calculates and recognizes revenue which is included in the export. This resulted in inaccurate revenue and unearned revenue recognition for many of the recreation programs, youth programs, and facility rentals.
- Due to the limitations of the District's general ledger software not being fully compatible with governmental fund accounting, the District utilizes due to/from accounts to capture and account for activity within one fund that belongs in another fund. For 2016, the significant activities were the bond capital projects and other capital projects. This process requires detailed reconciliation of the due to/from accounts and accurate recording of journal entries by District personnel to properly account for the activity in the proper funds. During our audit, we noted the accounting for the significant capital projects, contributions by the KCRMA for capital projects, and grant awards used for capital projects was inaccurate. This resulted in capital projects expenditures and contributions from the KCRMA both being materially overstated. Also, there were material grant receivables and revenues were not recorded for the year ended December 31, 2016.

It is important that the District maintain properly designed and implemented internal controls so that the monthly, quarterly, and annual financial reporting is accurate and useful for management. We recommend that the District management periodically review internal controls, and modify internal controls where deemed necessary, to provide for the timely prevention, or detection and correction of misstatements in the District's financial statements.

This communication is intended solely for the information and use of management, the Board of Directors, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties

SCHILLING & COMPANY, INC.

September 29, 2017