

AURORA SINGLE TREE METROPOLITAN DISTRICT
City of Aurora, Colorado

FINANCIAL STATEMENTS
December 31, 2016



RECEIVED

By the Office of the State Auditor at 7:39 am, Sep 29, 2017

TABLE OF CONTENTS

| | PAGE |
|---------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|
| INDEPENDENT AUDITORS' REPORT | 1 |
| BASIC FINANCIAL STATEMENTS | |
| Government-wide Financial Statements: | |
| Statement of Net Position | 1 |
| Statement of Activities | 2 |
| Fund Financial Statements: | |
| Balance Sheet - Governmental Funds | 3 |
| Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds | 4 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 5 |
| General Fund - Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual | 6 |
| Notes to Financial Statements | 7 |
| SUPPLEMENTARY INFORMATION | 17 |
| Debt Service Fund - Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual | 18 |
| Summary of Assessed Valuation, Mill Levy and Property Taxes Collected | 19 |

Board of Directors
Aurora Single Tree Metropolitan District
City of Aurora, Colorado

Independent Auditors' Report

We have audited the accompanying financial statements of the governmental activities and each major fund of the Aurora Single Tree Metropolitan 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 of 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 District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Aurora Single Tree Metropolitan District as of December 31, 2016, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other-Matters

Required Supplementary Information

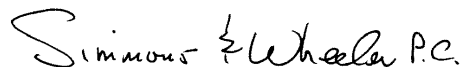
Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required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

Other Information

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

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The continuing disclosure annual financial information, as 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 them.

 Simmons & Whelan P.C.

Englewood, CO
September 20, 2017

BASIC FINANCIAL STATEMENTS

AURORA SINGLE TREE METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
December 31, 2016

| | Governmental Activities |
|-------------------------------------------|------------------------------------|
| ASSETS | |
| Cash and Investments | \$ 21,325 |
| Cash and Investments - Restricted | 1,686 |
| Receivable - County Treasurer | 2,415 |
| Property tax receivable | 409,420 |
| Total assets | 434,846 |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Cost of refunding | 336,086 |
| Total deferred outflows of resources | 336,086 |
| LIABILITIES | |
| Accounts payable | 3,640 |
| Accrued interest payable | 463,896 |
| Noncurrent liabilities: | |
| Due in more than one year | 8,065,000 |
| Total liabilities | 8,532,536 |
| DEFERRED INFLOWS OF RESOURCES | |
| Property tax revenue | 409,420 |
| Total deferred inflows of resources | 409,420 |
| NET POSITION | |
| Restricted for: | |
| Emergency reserve | 1,100 |
| Unrestricted | (8,172,124) |
| Total net position | \$ (8,171,024) |

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

**AURORA SINGLE TREE METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
December 31, 2016**

| <u>Functions/Programs</u> | <u>Program Revenues</u> | | | <u>Net (Expense) Revenue and Changes in Net Position</u> | |
|-------------------------------------------------|-------------------------|-------------------------------------|---------------------------------------------------|----------------------------------------------------------------------|------------------------------------|
| | <u>Expenses</u> | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> | <u>Governmental Activities</u> |
| Primary government: | | | | | |
| Government activities: | | | | | |
| General government | \$ 28,484 | \$ - | \$ - | \$ - | \$ (28,484) |
| Interest on long-term debt and related costs | 508,846 | - | - | - | (508,846) |
| | <u>\$ 537,330</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>(537,330)</u> |
| General revenues: | | | | | |
| Property taxes | | | | | 409,955 |
| Specific ownership taxes | | | | | 33,787 |
| Net investment income | | | | | 1,091 |
| Total general revenues | | | | | <u>444,833</u> |
| Change in net position | | | | | (92,497) |
| Net position - Beginning | | | | | <u>(8,078,527)</u> |
| Net position - Ending | | | | | <u>\$ (8,171,024)</u> |

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

**AURORA SINGLE TREE METROPOLITAN DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2016**

| | General | Debt Service | Total Governmental Funds |
|-------------------------------------------------------------------------------|------------------|-------------------------|-----------------------------------------|
| ASSETS | | | |
| Cash and Investments | \$ 21,325 | \$ - | \$ 21,325 |
| Cash and Investments - Restricted | 1,100 | 586 | 1,686 |
| Receivable - County Treasurer | 2,415 | - | 2,415 |
| Property tax receivable | - | 409,420 | 409,420 |
| TOTAL ASSETS | \$ 24,840 | \$ 410,006 | \$ 434,846 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | |
| LIABILITIES | | | |
| Accounts payable | \$ 3,340 | \$ 300 | \$ 3,640 |
| Total liabilities | 3,340 | 300 | 3,640 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Property tax revenue | - | 409,420 | 409,420 |
| Total deferred inflows of resources | - | 409,420 | 409,420 |
| FUND BALANCES | | | |
| Restricted for: | | | |
| Emergencies (TABOR) | 1,100 | - | 1,100 |
| Debt Service | - | 286 | 286 |
| Assigned to: | | | |
| Subsequent year's expenditures | 846 | - | 846 |
| Unassigned: | 19,554 | - | 19,554 |
| Total fund balance | 21,500 | 286 | 21,786 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | \$ 24,840 | \$ 410,006 | |

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

Long-term liabilities, including bonds payable and accrued interest payable, are not due and payable in the current period and, therefore, are not in the funds.

| | |
|-----------------------------------------|-----------------------|
| Bonds payable | (8,065,000) |
| Cost of refunding | 336,086 |
| Accrued bond interest payable | (463,896) |
| Net position of governmental activities | \$ (8,171,024) |

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

AURORA SINGLE TREE METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended December 31, 2016

| | <u>General Fund</u> | <u>Debt Service</u> | <u>Total Governmental Funds</u> |
|----------------------------------------------|-------------------------|-------------------------|-----------------------------------------|
| REVENUES | | | |
| Property taxes | \$ - | \$ 409,955 | \$ 409,955 |
| Specific ownership taxes | 33,787 | - | 33,787 |
| Net investment income | 58 | 1,033 | 1,091 |
| Total revenues | <u>33,845</u> | <u>410,988</u> | <u>444,833</u> |
| EXPENDITURES | | | |
| Accounting | 16,599 | - | 16,599 |
| Audit | 4,000 | - | 4,000 |
| County Treasurer's fees | - | 6,155 | 6,155 |
| Directors' fees | 185 | - | 185 |
| Election costs | 356 | - | 356 |
| Payroll taxes | 31 | - | 31 |
| Insurance | 2,764 | - | 2,764 |
| Legal | 4,546 | - | 4,546 |
| Debt service | | | |
| Interest - Bonds | - | 405,603 | 405,603 |
| Paying agent fees | - | 608 | 608 |
| Miscellaneous | - | 3 | 3 |
| Total expenditures | <u>28,481</u> | <u>412,369</u> | <u>440,850</u> |
| NET CHANGE IN FUND BALANCE | 5,364 | (1,381) | 3,983 |
| FUND BALANCES - BEGINNING OF YEAR | <u>16,136</u> | <u>1,667</u> | <u>17,803</u> |
| FUND BALANCES - END OF YEAR | <u>\$ 21,500</u> | <u>\$ 286</u> | <u>\$ 21,786</u> |

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

**AURORA SINGLE TREE METROPOLITAN DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2016**

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

| | | |
|--------------------------------------------------------|----|-------|
| Net change in fund balances - Total governmental funds | \$ | 3,983 |
|--------------------------------------------------------|----|-------|

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.

| | | |
|--------------------------------------------------|--|-----------------|
| Accrued interest on Bonds - Change in liability | | (56,853) |
| Current year amortization of bond refunding cost | | <u>(39,627)</u> |

| | | |
|----------------------------------------------------|----|------------------------|
| Changes in net position of governmental activities | \$ | <u><u>(92,497)</u></u> |
|----------------------------------------------------|----|------------------------|

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

**AURORA SINGLE TREE METROPOLITAN DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2016**

| | <u>Original and Final Budget</u> | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---------------------------------------------------------|------------------------------------------|---------------------------|-------------------------------------------------------------------|
| REVENUES | | | |
| Specific ownership tax | \$ 32,796 | \$ 33,787 | \$ 991 |
| Net investment income | 100 | 58 | (42) |
| Total revenues | <u>32,896</u> | <u>33,845</u> | <u>949</u> |
| EXPENDITURES | | | |
| Accounting | 14,000 | 16,599 | (2,599) |
| Audit | 4,000 | 4,000 | - |
| Directors' fees | 400 | 185 | 215 |
| Election costs | 3,350 | 356 | 2,994 |
| Payroll taxes | 31 | 31 | - |
| Insurance and bonds | 2,672 | 2,764 | (92) |
| Legal | 9,000 | 4,546 | 4,454 |
| Miscellaneous | 547 | - | 547 |
| Total expenditures | <u>34,000</u> | <u>28,481</u> | <u>5,519</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (1,104) | 5,364 | 6,468 |
| FUND BALANCES - BEGINNING OF YEAR | <u>15,728</u> | <u>16,136</u> | <u>408</u> |
| FUND BALANCES - END OF YEAR | <u>\$ 14,624</u> | <u>\$ 21,500</u> | <u>\$ 6,876</u> |

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

AURORA SINGLE TREE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 1 - DEFINITION OF REPORTING ENTITY

Aurora Single Tree Metropolitan District (District), a quasi-municipal corporation, was organized in December 1998 and is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located entirely in the City of Aurora (City) in Adams County, Colorado. The District was established to provide facilities for sanitation, water, drainage, street improvements and park and recreation. Upon completion, the facilities were transferred to the City of Aurora, Colorado for ownership and maintenance.

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 has no employees and contracts for all of its management and professional services.

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

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. The effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

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

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

AURORA SINGLE TREE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Measurement Focus, Basis of Accounting and Financial Statement 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. Redemption of bonds 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 year. The major sources of revenue susceptible to accrual are property taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is due.

The District reports the following major governmental funds:

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 Debt Service Fund accounts for the resources accumulated and the payments made for principal and interest on long-term debt of the governmental funds.

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

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.

AURORA SINGLE TREE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pooled Cash

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.

Investments are carried at fair value.

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 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.

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

Amortization

Deferred Cost of Refunding

In the government-wide financial statements, the deferred cost of refunding is being amortized using the interest method over the life of the new bonds. The amortization amount is a component of interest expense and the unamortized deferred cost is reflected as a deferred outflow of resources.

Deferred Inflow/Outflow of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government only has one item that qualifies for reporting in this category, cost of refunding.

AURORA SINGLE TREE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, deferred property tax revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Equity

Net Position

For government-wide presentation purposes when both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

Fund Balance

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned, and unassigned. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

- *Nonspendable fund balance* – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.
- *Restricted fund balance* – The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.
- *Committed fund balance* – The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.
- *Assigned fund balance* – The portion of fund balance that is constrained by the government's intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.

**AURORA SINGLE TREE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- *Unassigned fund balance* – The residual portion of fund balance that does not meet any of the criteria described above.

If more than one classification of fund balance is available for use when an expenditure is incurred, it is the District's practice to use the most restrictive classification first.

NOTE 3 - INVESTMENTS

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

Statement of net position:

| | |
|-----------------------------------|------------------|
| Cash and investments | \$ 21,325 |
| Cash and investments - Restricted | <u>1,686</u> |
| Total cash and investments | <u>\$ 23,011</u> |

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

| | |
|--------------------------------------|------------------|
| Deposits with financial institutions | \$ 4,786 |
| Investments | <u>18,225</u> |
| Total cash and investments | <u>\$ 23,011</u> |

Deposits with Financial Institutions

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. 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 102% of the aggregate uninsured deposits.

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

At December 31, 2016, the District's cash deposits had a bank balance and a carrying balance of \$4,786.

Investments

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments.

**AURORA SINGLE TREE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 3 - INVESTMENTS (CONTINUED)

The District generally limits its concentration of investments to those noted with an asterisk (*) below, which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk or investment custodial risk disclosure requirements for investments that are in the possession of another party.

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

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

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

Fair Value Measurement and Application

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. Investments not measured at fair value and not categorized include governmental money market funds (PFM Funds Governmental Select series); money market funds (generally held by Bank Trust Departments in their role as paying agent or trustee); and CSAFE which record their investments at amortized cost.

The District had invested in COLOTRUST, an external investment pool that records its investments at fair value and measures fair value using Level 2 inputs.

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

| Investment | Maturity | Value |
|-------------------------------------------------------------|-----------------------------------|------------------|
| Colorado Surplus Asset Fund Trust (CSAFE) | Weighted average under 60 days | \$ 18,159 |
| Colorado Local Government Liquid Asset Trust (COLOTRUST) | Weighted average under 60 days | 66 |
| | | <u>\$ 18,225</u> |

**AURORA SINGLE TREE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 3 - INVESTMENTS (CONTINUED)

COLOTRUST

The District invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (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 any security allowed under CRS 24-75-601. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. COLOTRUST is rated AAAM by Standard & Poor's.

CSAFE

The District invested in the Colorado Surplus Asset Fund Trust (CSAFE), which is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The trust is similar to a money market fund, with each share valued at \$1.00. CSAFE may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain money market funds and highest rated commercial paper. A designated custodial bank serves as custodian for CSAFE's portfolio pursuant to a custodian agreement. The custodian acts as safekeeping agent for CSAFE's investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by CSAFE. CSAFE is rated AAAM by Standard & Poor's.

NOTE 4 - 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>Retirements/ Refunding</u> | <u>Balance at December 31, 2016</u> | <u>Due Within One Year</u> |
|------------------------------|---------------------------------------------|------------------|-----------------------------------|---------------------------------------------|------------------------------------|
| \$8,190,000 Limited Tax G.O. | | | | | |
| Refunding Bonds, Series 2006 | \$ 8,065,000 | \$ - | \$ - | \$ 8,065,000 | \$ - |
| Accrued interest on bonds | 407,043 | 462,456 | 405,603 | 463,896 | - |
| | <u>\$ 8,472,043</u> | <u>\$462,456</u> | <u>\$ 405,603</u> | <u>\$ 8,528,896</u> | <u>\$ -</u> |

AURORA SINGLE TREE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 4 - LONG-TERM OBLIGATIONS (CONTINUED)

The details of the District's long-term obligations are as follows:

Series 2006, \$8,190,000 Limited Tax General Obligation Refunding Bonds, dated December 21, 2006. The Series 2006 Bonds are term bonds in the original amounts of \$1,125,000 and \$7,065,000, due November 15, 2016, and November 15, 2031, respectively, with interest paid semiannually on May 15 and November 15 at a rate of 5.00% and 5.50%, respectively. The bonds are subject to mandatory sinking fund redemptions on November 15, 2010, and on each November 15 thereafter, in increasing amounts annually prior to the maturity of the bonds. The bonds are subject to redemption prior to maturity, at the option of the District, beginning on May 15, 2016, with no redemption premium.

The bonds are secured by and payable from the Pledged Revenue consisting of the Required Mill Levy, net of any collection fees, and any other legally available monies which the District determines to be treated as Pledged Revenue. The bonds are also secured by amounts held by the Trustee in the Reserve Fund. Required Mill Levy means an ad valorem mill levy imposed upon all taxable property of the District each year in an amount sufficient to pay the principal, premium, if any, and interest on the bonds as the same become due and payable and to make up any deficiencies in the Reserve Fund. The maximum Required Mill Levy is 48.944 mills, adjusted for changes in the ratio of actual value to assessed value. For collection year 2016, the District levied 48.944 mills which was not sufficient to cover the full debt service requirement. The District had sufficient funds to pay \$405,603 of the \$438,575 in scheduled interest payments, and none of the scheduled principal payments in 2016. Unpaid interest compounds and accrues annually at the rate on the bonds. Failure to pay interest and principal is not an Event of Default so long as the District levies the maximum required mill levy described above.

For collection year 2017, the District has levied the maximum required mill levy of 48.944 mills which is anticipated to not be sufficient to cover the 2017 debt service requirement.

Due to the uncertainty of the timing of the principal and interest payments on the Series 2006 Limited Tax General Obligation Refunding Bonds, a schedule of the timing of these payments is not available.

**AURORA SINGLE TREE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 4 - LONG-TERM OBLIGATIONS (CONTINUED)

Debt Authorization

On November 3, 1998, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$9,700,000 at an interest rate not to exceed 15% per annum. At December 31, 2016, the District had authorized but unissued indebtedness in the following amounts for the following purposes:

| | <u>Authorized November 3, 1998 Election</u> | <u>Authorization Used, Series 2000 Bonds</u> | <u>Authorization Used, Series 2003 Bonds</u> | <u>Authorization Used, Subordinate Note</u> | <u>Authorization Used, Series 2006 Bonds</u> | <u>Remaining at December 31, 2016</u> |
|----------------------|-----------------------------------------------------|------------------------------------------------------|------------------------------------------------------|-----------------------------------------------------|------------------------------------------------------|-----------------------------------------------|
| Streets | \$ 4,500,000 | \$ 1,050,000 | \$ 1,429,000 | \$ 1,137,117 | \$ 588,023 | \$ 295,860 |
| Water | 1,000,000 | - | 1,000,000 | - | - | - |
| Storm sewer | 2,500,000 | 525,000 | 923,000 | - | 699,835 | 352,165 |
| Parks and recreation | 1,200,000 | - | 253,000 | - | 630,025 | 316,975 |
| Operations | 500,000 | - | - | - | - | 500,000 |
| | <u>\$ 9,700,000</u> | <u>\$ 1,575,000</u> | <u>\$ 3,605,000</u> | <u>\$ 1,137,117</u> | <u>\$ 1,917,883</u> | <u>\$ 1,465,000</u> |

Pursuant to the Service Plan, the District is permitted to issue bond indebtedness of up to \$6,975,000, with exception being made by the City to issue indebtedness in excess of this amount. The issuance of the Series 2006 Bonds was authorized by the City. The District is also limited to a maximum debt service mill levy of 48.944 mills, as adjusted for changes in the ratio of actual value to assessed value of property within the District, pursuant to the Service Plan. The maximum mill levy for debt service is 48.944 mills as of December 31, 2016. The mill levy may be adjusted to 54.110 mills as a result of the 2017 change in assessment ratio from 7.96% to 7.2% and will be determined during the 2018 budget process.

In the future, and with the City's authorization, the District may issue a portion of all of the remaining authorized but unissued general obligation debt for the purpose of refunding its outstanding obligations. The Required Mill Levy is discussed under Bonds.

NOTE 5 - NET POSITION

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

Restricted assets include net position that are restricted for use either externally imposed by auditors, 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, of \$1,100 for the Emergency Reserve.

The District has a deficit in unrestricted net position. This deficit amount is a result of the District being responsible for the repayment of bonds issued for public improvements conveyed to other governmental entities.

AURORA SINGLE TREE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 6 - 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). The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for liability and public officials' liability coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

NOTE 7 - TAX, SPENDING AND DEBT LIMITATIONS

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

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

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

On November 3, 1998, the District voters passed an election question to increase property taxes \$100,000 annually as adjusted for inflation, without limitation of rate, to pay the District's operations, maintenance and other expenses. Additionally, the District's electors authorized the District to collect, retain and spend all revenue, other than ad valorem taxes, without regard to any limitations under TABOR.

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

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

SUPPLEMENTARY INFORMATION

**AURORA SINGLE TREE METROPOLITAN DISTRICT
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2016**

| | <u>Budget Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---------------------------------------------------------|-----------------------|----------------|---------------------------|-------------------------------------------------------------------|
| | <u>Budget</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Property taxes | \$ 409,955 | \$ 409,955 | \$ 409,955 | \$ - |
| Net investment income | 100 | 1,033 | 1,033 | - |
| Total revenues | <u>410,055</u> | <u>410,988</u> | <u>410,988</u> | <u>-</u> |
| EXPENDITURES | | | | |
| County Treasurer's fees | 6,149 | 6,155 | 6,155 | - |
| Miscellaneous | - | 289 | 3 | 286 |
| Interest - Bonds | 404,668 | 405,603 | 405,603 | - |
| Paying agent fee | 600 | 608 | 608 | - |
| Total expenditures | <u>411,417</u> | <u>412,655</u> | <u>412,369</u> | <u>286</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (1,362) | (1,667) | (1,381) | 286 |
| FUND BALANCES - BEGINNING OF YEAR | <u>1,362</u> | <u>1,667</u> | <u>1,667</u> | <u>-</u> |
| FUND BALANCES - END OF YEAR | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 286</u> | <u>\$ 286</u> |

**AURORA SINGLE TREE METROPOLITAN DISTRICT
SUMMARY OF ASSESSED VALUATION, MILL LEVY
AND PROPERTY TAXES COLLECTED
December 31, 2016**

| <u>Year Ended December 31 Assessment Year</u> | <u>Collection Year</u> | Assessed Valuation for Property Tax Levy | Mills Levied | <u>Total Property Taxes</u> | | Percent Collected to Levied |
|-------------------------------------------------------|----------------------------|-----------------------------------------------------------------|-------------------------|-----------------------------|------------------|--------------------------------------------|
| | | | | <u>Levied</u> | <u>Collected</u> | |
| 2011 | 2012 | \$ 7,093,970 | 48.944 | \$ 347,207 | \$ 347,186 | 100.0% |
| 2012 | 2013 | \$ 7,058,710 | 48.944 | \$ 345,482 | \$ 345,481 | 99.9% |
| 2013 | 2014 | \$ 6,713,390 | 48.944 | \$ 328,580 | \$ 325,252 | 99.9% |
| 2014 | 2015 | \$ 6,544,990 | 48.944 | \$ 320,338 | \$ 320,338 | 98.9% |
| 2015 | 2016 | \$ 8,376,000 | 48.944 | \$ 409,955 | \$ 409,955 | 100.0% |
| Estimated 2016 | 2017 | \$ 8,365,070 | 48.944 | \$ 409,420 | | |

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 if delinquent taxes are collected.