

# Buffalo Run Mesa Metropolitan District

ADAMS COUNTY, COLORADO



## ANNUAL FINANCIAL STATEMENTS

December 31, 2016



**RECEIVED**

*By the Office of the State Auditor at 3:08 pm, Sep 19, 2017*

## Table of Contents

INDEPENDENT AUDITORS REPORT .....	1
STATEMENT OF NET POSITION .....	1
STATEMENT OF ACTIVITIES .....	2
BALANCE SHEET – GOVERNMENTAL FUNDS .....	3
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES .....	4
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES.....	5
GENERAL FUND .....	6
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL	6
GENERAL FUND EXPENDITURE .....	7
DETAILS– BUDGET AND ACTUAL.....	7
NOTES TO FINANCIAL STATEMENTS .....	8
SUPPLEMENTARY INFORMATION .....	18
DEBT SERVICE FUND – SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL.....	19
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY.....	20
SUMMARY OF ASSESSED VALUATION, MILL LEVY AND PROPERTY TAXES COLLECTED.....	21
OTHER SUPPLEMENTARY INFORMATION .....	22
CHANGE IN TOTAL OVERLAPPING MILL LEVY .....	23
HISTORICAL DEBT RATIOS .....	24

Board of Directors  
Buffalo Run Mesa Metropolitan District  
Adams County, Colorado

Independent Auditors' Report

We have audited the accompanying financial statements of the governmental activities and each major fund of the Buffalo Run Mesa 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 Buffalo Run Mesa 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 Buffalo Run Mesa 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 & Wheeler P.C.*

Englewood, CO  
September 6, 2017

**BUFFALO RUN MESA METROPOLITAN DISTRICT**  
**STATEMENT OF NET POSITION**  
December 31, 2016

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and investments	\$ 55,206
Cash and investments – restricted	27,035
Accounts receivable – specific ownership taxes	3,572
Property taxes receivable	606,676
Prepaid expenses	3,307
<b>Total Assets</b>	<b>\$ 695,796</b>
<b>LIABILITIES</b>	
Accounts payable	\$ 4,901
Accrued interest payable	30,778
Current portion of general obligation bonds and accreted interest	196,439
General obligation bonds – Series 2004	5,704,000
Accreted interest – Series 2004 bonds	205,441
General obligation bonds – Series 2006	1,170,000
<b>Total Liabilities</b>	<b>7,311,559</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Property tax revenue	606,676
<b>NET POSITION</b>	
Restricted:	
Emergency reserves	5,554
Debt service	23,368
Assigned	55,297
Unassigned:	( 7,306,658)
<b>Total Net Position</b>	<b>(\$ 7,222,439)</b>

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

BUFFALO RUN MESA METROPOLITAN DISTRICT  
**STATEMENT OF ACTIVITIES**  
For the 12-Month Period Ended December 31, 2016

Functions/Programs	Expenses	Program Revenue			Net (Expense)
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
					Governmental Activities
<b>Primary Government:</b>					
<b>Government Activities:</b>					
General government activities	\$ 40,737	\$ -	\$ -	\$ -	(\$ 40,737)
Interest and related costs on long-term debt	381,108	-	-	-	( 381,108)
	<u>\$ 421,845</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>( 421,845)</u>
<b>General Revenues</b>					
					\$ 606,335
					49,972
					<u>2,275</u>
					<u>658,582</u>
					<u>236,737</u>
					<u>( 7,459,176)</u>
					<u>(\$ 7,222,439)</u>

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

**BUFFALO RUN MESA METROPOLITAN DISTRICT**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
December 31, 2016

	General	Debt Service	Total Government Funds
<b>ASSETS</b>			
Cash and investments	\$ 55,206	\$ -	\$ 55,206
Cash and investments - Restricted	5,554	21,481	27,035
Accounts receivable – spec ownership taxes	883	2,689	3,572
Property taxes receivable	149,993	456,683	606,676
Prepaid expenses	3,307	-	3,307
<b>TOTAL ASSETS</b>	<b>\$ 214,943</b>	<b>\$ 480,853</b>	<b>\$ 695,796</b>
<b>LIABILITIES</b>			
Accounts payable	4,351	550	4,901
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property tax revenue	149,993	456,683	606,676
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>154,344</b>	<b>457,233</b>	<b>611,577</b>
<b>FUND BALANCES</b>			
Restricted:			
Emergencies (TABOR)	5,554	-	5,554
Debt service	-	23,368	23,368
Assigned:			
Subsequent period expenditures	55,297	-	55,297
<b>Total Fund Balances</b>	<b>60,851</b>	<b>23,368</b>	<b>84,219</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 214,943</b>	<b>\$ 480,853</b>	

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

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds	
Bonds payable	( 6,874,000)
Accrued interest payable	( 30,778)
Accreted interest payable	( 401,880)
<b>Net position of governmental activities</b>	<b><u>(\$7,222,439)</u></b>

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

BUFFALO RUN MESA METROPOLITAN DISTRICT  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
12-Month Period Ended December 31, 2016

	General	Debt Service	Total Government Funds
<b>REVENUES</b>			
Property taxes	\$ 149,978	\$ 456,357	\$ 606,335
Specific ownership taxes	43,632	6,340	49,972
Net investment income	665	1,610	2,275
Total revenues	194,275	464,307	658,582
<b>EXPENDITURES</b>			
General and administration	38,486	-	38,486
Election services	-	-	-
Collections – County Treasurer	2,251	6,849	9,100
<b>Debt service</b>			
Bond interest – Series 2004	-	285,200	285,200
Accreted interest – Series 2004	-	196,439	196,439
Bond interest – Series 2006	-	58,500	58,500
Repayment of Developer advances	17,927	29,166	47,093
Paying agent fees	-	550	550
Total Expenditures	58,664	576,704	635,368
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	135,611	( 112,397)	23,214
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in (out)	( 130,991)	130,991	-
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	4,620	18,594	23,214
<b>FUND BALANCES – BEGINNING OF YEAR</b>	56,231	4,774	\$ 61,005
<b>FUND BALANCES – END OF YEAR</b>	<u>\$ 60,851</u>	<u>\$ 23,368</u>	<u>\$ 84,219</u>

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

BUFFALO RUN MESA METROPOLITAN DISTRICT  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES**  
12-Month Period Ended December 31, 2016

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

Net change in fund balances – Total government funds	\$	23,214
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The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

Repayment of developer advances		47,093
Repayment of accreted interest		196,439

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.

Increase in accrued interest on developer advances	(	1,183)
Increase in accreted interest on Series 2004 Bonds	(	29,074)
Decrease in accrued interest on general obligation bonds		248

<b>Changes in net position of governmental activities</b>	<b>\$</b>	<b>236,737</b>
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BUFFALO RUN MESA METROPOLITAN DISTRICT  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCES – BUDGET AND ACTUAL**  
12-Month Period Ended December 31, 2016

	Budget	Actual Amounts	Positive / (Negative) Variance with Budget
<b>REVENUES</b>			
1. Property taxes	\$ 149,978	\$ 149,978	\$ -
2. Specific ownership taxes	35,000	43,632	8,632
3. Net investment income	150	665	515
<b>Total revenues</b>	<u>185,128</u>	<u>194,275</u>	<u>9,147</u>
<b>EXPENDITURES</b>			
4. General and administration	55,666	38,486	17,180
5. Election services	1,000	-	1,000
6. Collections – County Treasurer	2,250	2,251	(1)
7. Repayment of Developer advances	-	17,927	( 17,927)
<b>Total expenditures</b>	<u>58,916</u>	<u>58,664</u>	<u>252</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>126,212</u>	<u>135,611</u>	<u>9,399</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
8. Transfers in (out)	( 130,000 )	( 130,991)	(991)
<b>Total other financing sources (uses)</b>	<u>( 130,000)</u>	<u>( 130,991)</u>	<u>(991)</u>
<b>EXCESS OF REVENUES AND OTHER FINANCIAL SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<u>( 3,788)</u>	<u>4,620</u>	<u>8,408</u>
<b>FUND BALANCE – BEGINNING OF YEAR</b>	<u>3,788</u>	<u>56,231</u>	<u>52,443</u>
<b>FUND BALANCE – END OF YEAR</b>	<u>\$ -</u>	<u>\$ 60,851</u>	<u>\$ 60,851</u>

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

BUFFALO RUN MESA METROPOLITAN DISTRICT  
**GENERAL FUND EXPENDITURE**  
**DETAILS– BUDGET AND ACTUAL**  
12-Month Period Ended December 31, 2016

	Budget	Actual Amounts	Positive / (Negative) Variance with Budget
<b>GENERAL AND ADMINISTRATION</b>			
1. District management and accounting fees	\$ 12,000	\$ 20,739	(\$ 8,739)
2. Audit fees	4,000	3,000	1,000
3. Insurance / SDA Dues	2,971	3,282	( 311)
4. Legal fees and statutory compliance	7,500	10,420	( 2,920)
5. Miscellaneous expenses	500	145	355
6. Director stipends	-	900	( 900)
7. Contingency	23,141	-	23,141
8. Emergency reserves	5,554	-	5,554
<b>Total General and Administration</b>	<b>\$ 55,666</b>	<b>\$ 38,486</b>	<b>\$ 17,180</b>

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

BUFFALO RUN MESA METROPOLITAN DISTRICT  
**NOTES TO FINANCIAL STATEMENTS**  
12-Month Period Ended December 31, 2016

**NOTE 1 – DEFINITION OF REPORTING ENTITY**

Buffalo Run Mesa Metropolitan District (District), a quasi-municipal corporation, was organized on June 17, 2002, and is governed pursuant to provisions of the Colorado Special District Act (Title 32). The District operates under a service plan approved by Commerce City (City) on March 18, 2002. The District's service area is located in Adams County, Colorado entirely within the boundaries of the City. The District was established to provide financing for the design, acquisition, construction and installation of streets, traffic and safety controls, park and recreation facilities, water facilities, sanitary and storm drainage improvements and mosquito control services within the District.

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements, which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization 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 organizations 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 all operations and administrative functions are contracted.

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 significant accounting policies of the District are 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 property taxes.

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

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

These notes are an integral part of the accompanying financial statements.

Separate financial statements are provided for 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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes and specific ownership 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 payments made for principal and interest on long-term general obligation debt of the governmental funds.

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

### **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 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.

On October 20, 2016, the District Board amended the 2016 budget and increased the appropriation of expenditures from the debt fund from \$579,688 to \$586,318.

### **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.

These notes are an integral part of the accompanying financial statements.

## **Investment Valuation**

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; Level 3 inputs are significant unobservable inputs.

The District invests certain funds in an external investment pool (ColoTrust) that records its investments at fair value. Investments in ColoTrust are categorized as Level 2 Investments.

## **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 property taxes collected monthly to the District.

Property taxes are recorded initially as deferred inflows or 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.

## **Deferred Outflows of Resources and Deferred Inflows of Resources**

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

A deferred inflow of resources is an acquisition of net position by a government that is applicable to a future reporting period and a deferred outflow of resources is a consumption of net position by a government that is applicable to a future reporting period. Both deferred inflows and outflows are reported in the statement of net position but are not recognized in the financial statement as revenues and expenses until the period(s) to which they relate. Deferred inflows of resources in the governmental fund financial statements of the District for the 12-month period ended December 31, 2016 are comprised of property taxes due from Adams County that will not be collected within 60 days of the end of the current calendar year. Deferred inflows of resources in the government-wide financial statements represents property taxes for which an enforceable legal claim to assets exists, but for which the levy pertains to the subsequent year.

## **Equity**

### **Net Position**

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

These notes are an integral part of the accompanying financial statements.

In the government-wide financial statements, fund equity is classified as net position. Net position may be classified into three components: net investment in capital assets, restricted and unrestricted. These classifications are defined as follows:

- Net investment in capital assets - this component of net position consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any debt that is attributable to the acquisition, construction or improvement of those assets. If there are significant unspent debt proceeds at year end, the portion of the debt attributable to the unspent proceeds is not included in this component.
- Restricted - this component of net position consists of assets that are restricted for use as imposed by external parties such as creditors, grantors or contributors, or as imposed by laws or regulations of other governments, or as imposed through constitutional provisions or enabling legislation.
- Unrestricted - the component of net position that does not meet the definitions above.

### **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: non-spendable, 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:

- **Non-spendable fund balance** – The portion of a fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts) or legally or contractually required to be maintained intact.
- **Restricted fund balance** – The portion of a 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 a 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 a fund balance that is constrained by the government's intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.
- **Unassigned fund balance** – The residual portion of a fund balance that does not meet any of the criteria described above.

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

These notes are an integral part of the accompanying financial statements.

### NOTE 3 – CASH AND INVESTMENTS

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

Statement of net position:	
Cash and investments – unrestricted	\$ 55,206
Cash and investments – restricted	<u>27,035</u>
Total cash and investments	<u>\$ 82,241</u>

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

Deposits with financial institutions	\$ 3,749
Investments	<u>78,492</u>
Total cash and investments	<u>\$ 82,241</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 of \$4,224 and a carrying balance of \$3,749.

#### Investments

The District has adopted a formal investment policy in accordance with state statutes regarding investments.

The District generally limits its concentration of investments to those listed below, which are believed to have minimal credit risk, minimal interest rate risk, and no foreign currency risk. Additionally, the District is not subject to concentration risk disclosure requirements or subject to investment custodial risk 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.

Revenue bonds of local government securities, corporate and bank securities, and guaranteed investment contracts not purchased with bond proceeds, are limited to maturities of three years or less.

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

These notes are an integral part of the accompanying financial statements.

- Obligations of the United States, certain U.S. government agency securities, and 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 purchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

As of December 31, 2016, the District's investments were comprised of the following:

Investment	Maturity	Fair Value
ColoTrust Plus+	Weighted average under 60 days	\$ 78,492

#### ColoTrust

The District invested in the Colorado Local Government Liquid Asset Trust ("ColoTrust"), an investment vehicle established for local government entities in Colorado to pool surplus finds. The State Securities Commissioner administers and enforces all State statutes governing ColoTrust. ColoTrust operates similarly to a money market fund and each share is equal in value to \$1.00. ColoTrust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+, both of which are classified as Level 2 investments under the fair value hierarchy. 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 agreements collateralized by certain obligations of U.S. government agencies. A designated custodial bank serves as custodian for ColoTrust's portfolios pursuant to a custodian agreement.

The custodian acts as safekeeping agent for ColoTrust'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 ColoTrust. ColoTrust is rated AAAM by Standard & Poor's.

#### NOTE 4 – LONG-TERM DEBT

The following is a summary of the changes in the District's long-term debt for the year ended December 31, 2016:

	Balance at Dec. 31, 2015	Additions	Retirements	Balance at Dec. 31, 2016	Due within one year
Series 2004 Bonds	\$ 5,704,000	\$ -	\$ -	\$ 5,704,000	\$ -
Series 2004 Bonds – Accreted Interest	569,245	29,074	196,439	401,880	196,439
Series 2006 Bonds	1,170,000	-	-	1,170,000	-
Developer Advances	30,980	-	30,980	-	-
Developer Advances – Accrued Interest	14,930	1,183	16,113	-	-
	<u>\$ 7,489,155</u>	<u>\$ 30,257</u>	<u>\$ 243,532</u>	<u>\$ 7,275,880</u>	<u>\$ 196,439</u>

These notes are an integral part of the accompanying financial statements.

Details regarding the District's long-term obligations are as follows:

### Bonds Payable

On July 2, 2004, the District issued \$5,704,000 of Limited Tax General Obligation Bonds Series 2004 ("Series 2004 Bonds") dated June 30, 2004, and due December 1, 2034, with interest at 5.00% payable semi-annually on June 1 and December 1 each year. Since the payment of interest was not required until December 1, 2008, the Series 2004 Bonds have an accreted component that represents the unpaid interest from June 30, 2004 to December 1, 2008 that is payable from December 1, 2008 through 2018. The bonds were issued for the purpose of repaying the developer for capital improvements and to pay costs of issuance. Any unpaid accrued interest on the bonds will compound annually on each December 1 until maturity. The bonds were subject to redemption prior to maturity on June 1, 2014, and on any interest payment date thereafter, at the price equal to the principal amount of the bonds plus accrued interest.

On June 1, 2006, the District issued \$1,750,000 of Limited Tax General Obligation Bonds Series 2006 ("Series 2006 Bonds") dated June 1, 2006, and due December 1, 2037, with interest payable semi-annually on June 1 and December 1 each year commencing December 1, 2006, at an interest rate of 5%. The bonds were issued for the purpose of repaying the developer for capital improvements. The bonds were subject to redemption prior to maturity on June 1, 2014, and on any interest payment date thereafter, at the price equal to the principal amount of the bonds plus accrued interest.

The Bonds are secured and payable from the Pledged Revenue, consisting of monies derived by the District from the following sources, net of collection costs: 1) the Required Mill Levy, 2) the portion of the Specific Ownership Tax which is collected as a result of the imposition of the Required Mill Levy, and 3) any other legally available monies of the District credited to the Bond Fund. Until such time as the District's debt is equal to or less than 50% of the assessed valuation of all taxable property of the District, the maximum required mill levy is 57.475 mills, adjusted for changes in the ratio of actual value to assessed value of property within the District. For collection year 2016, the District levied 50.000 mills for debt service.

The following is a summary of the annual long-term debt principal and interest requirements for the Series 2004 and 2006 Bonds:

	<u>Principal</u>	<u>Interest</u>	<u>Series 2004 Accreted Interest</u>	<u>Total</u>
2017	\$ -	\$ 346,874	\$ 196,439	\$ 543,313
2018	571	343,700	205,441	549,712
2019	206,040	343,671	-	549,711
2020	226,107	333,369	-	559,476
2021	237,412	322,064	-	559,476
2022 to 2026	1,474,863	1,413,153	-	2,888,016
2027 to 2031	2,020,997	992,622	-	3,013,619
2032 to 2036	2,298,010	430,698	-	2,728,708
2037	410,000	20,500	-	430,500
	<u>\$ 6,874,000</u>	<u>\$ 4,546,651</u>	<u>\$ 401,880</u>	<u>\$ 11,822,531</u>

These notes are an integral part of the accompanying financial statements.

## Developer Advances Payable

On August 22, 2002, the District entered into a 2002-2003 Operation Funding Agreement with Buffalo Run Mesa, LLC (“Developer”) whereby the Developer agreed to advance funds to the District for operations and maintenance expenses. Interest accrues on any outstanding advances from the date of the advance at an interest rate of 8%. The District agreed to assess up to a mill levy of 7 mills in order to make repayments to the Developer on December 1 of each year. On October 2, 2008, the Developer agreed to waive the requirement of the District to impose a mill levy of 7 mills starting with collection year 2004. The District received \$28,100 under this agreement.

On November 4, 2004, the District entered into a 2004-2005 Operation Funding Agreement whereby the Developer agreed to advance funds to the District for operations and maintenance expenses. Interest accrues on any outstanding advances from the date of the advance at an interest rate of 8%. The District agreed to make repayments to the Developer on December 1 of each year, with payments applied to any accrued and unpaid interest first. The District received \$10,086 under this agreement.

On December 12, 2005, the District entered into a 2006 Operation Funding Agreement whereby the Developer agreed to advance funds to the District for operations and maintenance expenses. Interest accrues on any outstanding advances from the date of the advance at an interest rate of 8%. The District agreed to make repayments to the Developer on December 1 of each year, with payments applied to any accrued and unpaid interest first. The District received \$16,804 under this agreement.

On June 24, 2016, the District repaid in full the remaining outstanding balance (including accrued interest) due on these agreements.

## Debt Authorization

On May 07, 2002, the District's electors authorized the issuance of indebtedness in an amount not to exceed \$8,500,000 for infrastructure improvements and operations at an interest rate not to exceed 18% and \$8,000,000 for refunding the District's debt or other obligations.

The District’s authorized but unissued indebtedness in the following amounts allocated for the following purposes is as follows:

	Authorized	Authorized	Authorization Used		Authorization
	May 2002 Election	Nov 2004 Election	2004	2006	Remaining at Dec. 30, 2016
Water	\$ 1,050,000	\$ 1,000,000	\$1,050,000	\$ 660,000	\$ 340,000
Sewer	950,000	1,000,000	950,000	440,000	560,000
Street Improvements	3,300,000	1,000,000	1,863,563	650,000	1,786,437
Park and Recreation	2,550,000	1,000,000	1,840,437	-	1,709,563
Traffic Safety Controls	150,000	1,000,000	-	-	1,150,000
Operation and Administration	500,000	-	-	-	500,000
Mosquito Control	-	500,000	-	-	500,000
Bond Refunding	8,000,000	-	-	-	8,000,000
	<u>\$16,500,000</u>	<u>\$5,500,000</u>	<u>\$5,704,000</u>	<u>\$ 1,750,000</u>	<u>\$ 14,546,000</u>

These notes are an integral part of the accompanying financial statements.

Pursuant to the District's Service Plan, the District is limited to issuing \$8,000,000 in bond indebtedness. In the future, the District may issue a portion or all of the remaining authorized but unissued general obligation debt for purposes of providing public improvements to support development as it occurs within the District's service area.

As of December 31, 2016, the remaining, unused debt issuance authorization (excluding bond refunding authorization) totaling \$2,146,000 and \$4,400,000 will expire in accordance with 32-1-1101(2), C.R.S. in May 2022 and November 2024, respectively - 20 years after the original debt authorization election.

#### **NOTE 5 – NET POSITION**

The District has a net position consisting of three components – restricted, assigned and unassigned.

##### **Restricted Net Position**

The District's restricted net position as of December 31, 2016 in the general fund and debt service fund totaled \$5,554 and \$23,368, respectively. The restricted net position within the general fund is due to spending restrictions established by TABOR. See Note 8 for further details. The restricted net position within the debt service fund is comprised of funds that are restricted to servicing the Series 2004 and Series 2006 Bonds per the debt mill levy and related Bond agreement.

##### **Assigned Net Position**

The District's assigned net position as of December 31, 2016 in the general fund and debt service fund totaled \$55,045 and \$0, respectively. These balances have been assigned by the Board to fund expenditures incurred by the District in subsequent years within each respective fund.

##### **Unassigned Net Position**

The District's unassigned net position as of December 31, 2016 totaled \$(7,306,658). This deficit amount was a result of the District being responsible for the repayment of bonds issued for public improvements conveyed to Commerce City, South Adams County Water and Sanitation District and the Association.

#### **NOTE 6 – RELATED PARTIES**

One of the Directors on the Board is an owner of Buffalo Run Mesa, LLC, the original developer of the property within the District (to which entity developer advances were payable), and is also an owner and/or trustee of the Series 2006 and Series 2004 bonds.

#### **NOTE 7 – RISK MANAGEMENT**

The District is exposed to various risks of loss including (a) torts, thefts of, damage to, or destruction of assets, (b) errors or omissions and (c) 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 insure its member districts against various risks of loss. Settled claims have not exceeded this coverage in any of the past three years.

These notes are an integral part of the accompanying financial statements.

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 its members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to the Pool's distribution formula.

#### **NOTE 8 – 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.

On May 07, 2002, District voters authorized the District to assess property taxes at no more than \$150,000 annually, without limitation to rate, to pay the District's operations, maintenance and other expenses. Additionally, the District voters approved a revenue change to allow the District to retain and spend all revenue, other than ad valorem taxes, in excess of TABOR spending, revenue raising or other limitations.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). TABOR prohibits the District from using its emergency reserves to compensate for economic conditions and revenue shortfalls.

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

## **SUPPLEMENTARY INFORMATION**

BUFFALO RUN MESA METROPOLITAN DISTRICT  
**DEBT SERVICE FUND –**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES – BUDGET AND ACTUAL**  
12-Month Period Ended December 31, 2016

	Original Budget	Amended Budget	Actual Amounts	Positive / (Negative) Variance with Amended Budget
<b>REVENUES</b>				
Property taxes	\$ 456,358	\$ 456,358	\$ 456,357	(\$ 1)
Specific ownership taxes	3,000	3,000	6,340	3,340
Net investment income	250	250	1,610	1,360
Total revenues	459,608	459,608	464,307	4,699
<b>EXPENDITURES</b>				
Collection fees – County Treasurer	6,845	6,845	6,849	( 4)
Bond paying agent fees	950	950	550	400
Contingency	5,000	5,000	-	5,000
<b>Debt service</b>				
Bond interest – Series 2004	285,200	285,200	285,200	-
Accreted interest – Series 2004	220,244	220,244	196,439	23,805
Bond interest – Series 2006	61,449	61,449	58,500	2,949
Developer advances	-	6,630	29,166	( 22,536)
Total expenditures	579,688	586,318	576,704	9,614
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	( 120,080)	( 126,710)	( 112,397)	14,313
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in (out)	130,000	130,000	130,991	991
Total other financing sources (uses)	130,000	130,000	130,991	991
<b>EXCESS OF REVENUES AND OTHER FINANCIAL SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	9,920	3,290	18,594	15,304
<b>FUND BALANCE – BEGINNING OF YEAR</b>	\$ 393	\$ 393	\$ 4,774	\$ 4,381
<b>FUND BALANCE – END OF YEAR</b>	\$ 10,313	\$ 3,683	\$ 23,368	\$ 19,685

**BUFFALO RUN MESA METROPOLITAN DISTRICT**  
**SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY**

December 31, 2016

The District's repayment schedule for its Series 2006 general obligation bonds is as follows:

Year Ended Dec. 31,	General Obligation Bonds Series 2004				General Obligation Bonds Series 2006			Total		
	Principal	Interest	Accreted Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2017	\$ -	\$ 285,200	\$196,439	\$ 481,639	\$ -	\$ 61,674	\$61,674	\$ -	\$ 543,313	\$ 543,313
2018	571	285,200	205,441	491,212	-	58,500	58,500	571	549,141	549,712
2019	206,040	285,171	-	491,211	-	58,500	58,500	206,040	343,671	549,711
2020	226,107	274,869	-	500,976	-	58,500	58,500	226,107	333,369	559,476
2021	237,412	263,564	-	500,976	-	58,500	58,500	237,412	322,064	559,476
2022	259,242	251,694	-	510,936	-	58,500	58,500	259,242	310,194	569,436
2023	272,204	238,731	-	510,935	-	58,500	58,500	272,204	297,231	569,435
2024	295,973	225,121	-	521,094	-	58,500	58,500	295,973	283,621	579,594
2025	310,772	210,323	-	521,095	-	58,500	58,500	310,772	268,823	579,595
2026	336,672	194,784	-	531,456	-	58,500	58,500	336,672	253,284	589,956
2027	353,506	177,950	-	531,456	-	58,500	58,500	353,506	236,450	589,956
2028	381,750	160,275	-	542,025	-	58,500	58,500	381,750	218,775	600,525
2029	400,838	141,188	-	542,026	-	58,500	58,500	400,838	199,688	600,526
2030	431,660	121,146	-	552,806	-	58,500	58,500	431,660	179,646	611,306
2031	453,243	99,563	-	552,806	-	58,500	58,500	453,243	158,063	611,306
2032	486,902	76,900	-	563,802	-	58,500	58,500	486,902	135,400	622,302
2033	511,247	52,555	-	563,802	-	58,500	58,500	511,247	111,055	622,302
2034	539,861	26,993	-	566,854	-	58,500	58,500	539,861	85,493	625,354
2035	-	-	-	-	365,000	58,500	423,500	365,000	58,500	423,500
2036	-	-	-	-	395,000	40,250	435,250	395,000	40,250	435,250
2037	-	-	-	-	410,000	20,500	430,500	410,000	20,500	430,500
	<b>\$5,704,000</b>	<b>\$3,371,227</b>	<b>\$401,880</b>	<b>\$9,477,107</b>	<b>\$1,170,000</b>	<b>\$1,175,424</b>	<b>\$ 2,345,424</b>	<b>\$6,874,000</b>	<b>\$4,973,701</b>	<b>\$11,822,531</b>

Interest is payable each year on June 1<sup>st</sup> and December 1<sup>st</sup>, and principal payments are due each year on December 1<sup>st</sup>. Beginning June 1, 2014, the District may redeem the outstanding bond balance at any time without paying a redemption premium to the bond holders.

BUFFALO RUN MESA 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 tax Levy	Mills Levied		Total Property Taxes		Percent Collected to Levied
		Operations	Debt	Levied	Collected (Note A)	
2012	\$ 7,746,670	17.000	50.000	519,027	\$ 518,996	99.99%
2013	7,754,830	19.000	50.000	535,084	535,065	100.00%
2014	7,439,000	19.000	50.000	513,291	513,923	101.12%
2015	7,445,510	19.000	50.000	513,741	513,517	99.96%
2016	9,122,770	16.464	50.000	606,336	606,335	100.00%
2017	9,133,660	16.422	50.000	606,676	[TBD]	[TBD]

**NOTE A:** Property taxes collected in any one year may include collection of delinquent property taxes levied in prior years.

**OTHER SUPPLEMENTARY INFORMATION**

**BUFFALO RUN MESA METROPOLITAN DISTRICT**  
**CHANGE IN TOTAL OVERLAPPING MILL LEVY**

December 31, 2016

	2017 Mill Levy *	2016 Mill Levy**	Change
Buffalo Run Mesa Metropolitan District	66.422	66.464	( 0.042)
Brighton School District No. 27J	49.317	49.359	( 0.042)
Commerce City North Infrastructure General Improvement District	27.000	27.000	--
Adams County	27.055	26.817	0.238
South Adams Fire District No. 4	9.900	9.900	--
Rangeview Library District	3.659	3.659	--
City of Commerce City	3.128	3.280	( 0.152)
South Adams County Water and Sanitation District	3.102	3.102	--
Urban Drainage and Flood Control	0.559	0.553	0.006
Urban Drainage and Flood Control – South Platte	0.061	0.058	0.003
<b>Total Mill Levy (Tax Area 598)</b>	<b>190.203</b>	<b>190.192</b>	<b>0.011</b>

\* -- For property tax collections in 2017

\*\* -- For property tax collections in 2016

BUFFALO RUN MESA METROPOLITAN DISTRICT  
**HISTORICAL DEBT RATIOS**  
 December 31, 2016

	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Debt outstanding	\$ 6,874,000	\$ 6,874,000	\$ 6,874,000	\$ 6,874,000	\$ 6,874,000
Combined assessed property values within the District	\$ 7,754,830	\$ 7,439,000	\$ 7,445,510	\$ 9,122,770	\$ 9,133,660
Ratio of debt to assessed property values	88.64%	92.40%	92.32%	75.35%	75.26%