

CENTERRA METROPOLITAN DISTRICT NO. 1  
Larimer County, Colorado

FINANCIAL STATEMENTS  
December 31, 2016



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# JOHN CUTLER & ASSOCIATES

Board of Directors  
Centerra Metropolitan District No. 1  
Larimer County, Colorado

## INDEPENDENT AUDITORS' REPORT

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Centerra Metropolitan District No. 1, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the basic financial statements of the District, 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 Responsibility

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

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Centerra Metropolitan District No. 1, as of December 31, 2016, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required budgetary information on page 28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Centerra Metropolitan District No. 1's basic financial statements. The supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated in all material respects in relation to the financial statements as a whole.

*John Cutler & Associates, LLC*

July 31, 2017

## Management's Discussion and Analysis

As management of Centerra Metropolitan District No. 1 (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2016.

### Financial Highlights

- Liabilities exceeded assets by \$73,631,971 at the end of the fiscal year. This deficit of net position is largely due to the District being responsible for the repayment of debt used for public improvements which were subsequently dedicated to other governments.
- At December 31, 2016, the District's governmental funds reported combined ending fund balances of \$24,830,575. This combined fund balance includes \$10,184,671 of Debt Service Fund balance and \$13,657,709 of Capital Projects Fund balance.
- Total net position increased by \$2,401,006 at the end of the fiscal year. This increase is attributable to the pay down of long term debt.
- Total cash and investments decreased by \$5,653,124 as compared to 2015. The decrease in cash and investments is primarily due to construction of capital assets.
- General Fund expenditures were \$1,426,126 for the year ended December 31, 2016. The expenditures included in the General fund are those costs incurred to provide the administration of the District and include accounting, legal, management, insurance, utilities, landscape maintenance and other costs.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$894,984 or 63% of total General Fund expenditures.

### Overview of the Financial Statements

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

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

The *statement of net position* presents information on all of the District's assets and deferred outflows, and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash*

*flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements identify functions of the District that are principally to be supported by ad valorem taxes (*governmental activities*). The governmental activities of the District include the financing, construction of, and maintenance of governmental infrastructure including streets, water, sewer, storm, park and recreation, and transportation and traffic improvements constructed or acquired by the District.

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

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

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The District maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for each of the funds – general fund, debt service fund, and capital projects fund – all of which are considered to be major funds.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for this fund in the *basic financial statements* to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 3-5 of this report.

**Notes to Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 6-25 of this report.

**Other Information.** The report includes individual fund schedules. A budgetary comparison statement has been provided in this section for the General Fund, Debt Service Fund and the Capital Projects Fund to demonstrate compliance with these budgets. The budget statements are found after the *basic financial statements* on pages 27-30 of this report.

**Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. The District’s liabilities exceeded assets by \$73,631,971 at the close of the most recent fiscal year.

**Net Position**

|  | <b>December 31,</b>    |                        |
|--|------------------------|------------------------|
|  | <u>2016</u>            | <u>2015</u>            |
| Current assets                             | \$ 27,738,229          | \$ 33,536,937          |
| Capital assets                             | 34,269,346             | 30,585,175             |
| Deferred outflow of derivative instruments | 15,374,033             | 19,213,546             |
| Total assets                               | <u>77,381,608</u>      | <u>83,335,658</u>      |
| Current liabilities                        | 3,451,870              | 4,018,520              |
| Long-term obligations                      | 133,037,106            | 137,090,174            |
| Liability for derivative instruments       | 14,524,603             | 18,259,941             |
| Total liabilities                          | <u>151,013,579</u>     | <u>159,368,635</u>     |
| Net investment in capital assets           | (27,337,228)           | (28,769,089)           |
| Restricted                                 | 23,882,780             | 29,037,037             |
| Unrestricted                               | <u>(70,177,523)</u>    | <u>(76,300,925)</u>    |
| Total net position                         | <u>\$ (73,631,971)</u> | <u>\$ (76,032,977)</u> |

The District’s current assets decreased \$5,798,708 mainly due to increases in cash and investments of \$5,653,124. The cash and investments are used mainly to construct capital assets and make debt payments.

## Change in Net Position

|   | December 31,    |                 |
|---|-----------------|-----------------|
|   | 2016            | 2015            |
| Revenue   |                 |                 |
| General revenue                                   |                 |                 |
| LURA revenues                                     | \$ 11,097,858   | \$ 11,354,929   |
| Net investment income and other income            | 87,459          | 17,348          |
| Intergovernmental revenue - District No. 2 & 3    | 428,417         | 411,209         |
| Capital reimbursement                             | 19,645          | 1,521,815       |
| Program revenue                                   |                 |                 |
| Charges for services                              | 1,165,274       | 59,536          |
| Total revenues                                    | \$ 12,798,653   | \$ 13,364,837   |
| Expenses  |                 |                 |
| General government                                | \$ 3,203,385    | \$ 3,002,082    |
| Dedication of capital assets to other governments | -               | 979,451         |
| Interest and related costs on long-term debt      | 7,194,262       | 6,462,458       |
| Loss on disposal of assets                        | -               | 2,968,273       |
| Total expenses                                    | \$ 10,397,647   | \$ 13,412,264   |
| Change in Net Position                            | 2,401,006       | (47,427)        |
| Net Position - Beginning                          | (76,032,977)    | (75,985,550)    |
| Net Position - Ending                             | \$ (73,631,971) | \$ (76,032,977) |

The District's main revenue sources for 2016 were revenues from the Loveland Urban Renewal Authority (LURA), intergovernmental revenue, Public Improvement Fees and investment income. The majority of the expenses for general government were accounting, legal, landscape maintenance, Chapungu Park, utilities, management and administration, for both administrative and capital functions, totaling \$1,221,808. The interest and related costs on long-term debt include interest, principal, debt fees, swap payments, paying agent fees, trustee fees, interest expense on capital advances, and collection fees paid to the City of Loveland.

### Financial Analysis of the Government's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the District's *governmental funds* is to provide information on near-term inflows, outflow, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unreserved fund balance* may

serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$24,830,575. *Unassigned fund balance* constitutes \$894,984 of this total amount and is available for spending at the government's discretion.

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, restricted fund balance of the General Fund was \$40,400, nonspendable fund balance was \$42,677, assigned fund balance was \$10,134, and the unassigned fund balance was \$894,984 for a total fund balance of \$988,195.

The Debt Service Fund has a total fund balance of \$10,184,671, all of which is restricted for repayments on debt service.

The Capital Projects Fund has a total fund balance of \$13,657,709, all of which is restricted for the construction of infrastructure.

### **General Fund Budgetary Highlights**

During the year ended December 31, 2016, the District incurred actual expenditures of \$1,426,126 in the General Fund. The difference between actual and budgeted expenditures of \$1,508,464 was \$82,338. Notable savings were achieved in several expense categories, including savings of \$41,526 for legal.

### **Capital Assets**

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

### **Long-Term Debt**

On December 4, 2014, the District entered into a \$139,700,000 Loan Agreement (2014 Loan) which was used to repay the 2011 Loan and provided additional funds for construction, debt issuance costs and increased debt service reserve. At closing, the District was funded \$128,200,000. The remaining \$11,500,000 was retained by the lender and was made available through advances until fully funded on December 9, 2015.

At the end of the current fiscal year, the District had total outstanding loan indebtedness of \$131,510,000. The District's 2014 Loan matures on December 4, 2021. At or prior to maturity, the District anticipates entering into a new loan agreement or remarketing the debt in the form of bonds. The District pays a synthetically fixed interest rate of 3.46% plus bank fees of 1.95% on the original amount of \$101,670,000 and 2.058% plus bank fees of 1.95% on the original amount of \$18,500,000 through maturity due to swap agreements in place at December 31, 2016. Interest payments are made quarterly.

Additional information on the District's long-term debt can be found in Note 6 of this report.

### **Next Year's Budgets and Rates**

In 2017, budgeted expenditures for the General fund are \$1,495,106 and are anticipated to be primarily funded by LURA revenues and services fees from District No. 2.

### **Requests for Information**

This financial report is designed to provide a general overview of the finances for Centerra Metropolitan District No. 1. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Centerra Metropolitan District No. 1, c/o Pinnacle Consulting Group, Inc., 550 West Eisenhower Blvd, Loveland, CO 80537.

BASIC FINANCIAL STATEMENTS

**CENTERRA METROPOLITAN DISTRICT NO. 1**  
**STATEMENT OF NET POSITION**  
**December 31, 2016**

|   | <b>Governmental<br/>Activities</b> |
|---|------------------------------------|
| <b>ASSETS</b>                                 |                                    |
| Cash and investments                          | 1,022,117                          |
| Cash and investments - Restricted             | 26,548,312                         |
| Service fees receivable                       | 30,202                             |
| Other receivable                              | 552                                |
| Prepaid insurance expense                     | 42,677                             |
| Construction & Landscaping Deposit            | 94,369                             |
| Capital assets not being depreciated          |                                    |
| Construction in progress                      | 11,391,800                         |
| Water rights                                  | 3,423,082                          |
| Capital assets, net                           | 19,454,464                         |
| Total assets                                  | 62,007,575                         |
| <br><b>DEFERRED OUTFLOWS OF RESOURCES</b>     |                                    |
| Liability for derivative instruments          | 15,374,033                         |
| Total deferred outflows of resources          | 15,374,033                         |
| <br><b>LIABILITIES</b>                        |                                    |
| Accounts payable                              | 1,619,910                          |
| Loan interest payable                         | 544,216                            |
| Unearned PIF revenue                          | 1,198,119                          |
| Unearned LURA revenue                         | 89,625                             |
| Noncurrent liabilities                        |                                    |
| Due within one year                           | 6,658,823                          |
| Due in more than one year                     | 126,378,283                        |
| Deferred liability for derivative instruments | 14,524,603                         |
| Total liabilities                             | 151,013,579                        |
| <br><b>NET POSITION</b>                       |                                    |
| Net investment in capital assets              | (27,337,228)                       |
| Restricted for:                               |                                    |
| Emergency reserves                            | 40,400                             |
| Debt service                                  | 10,184,671                         |
| Capital projects                              | 13,657,709                         |
| Unrestricted                                  | (70,177,523)                       |
| Total net position                            | (73,631,971)                       |

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

**CENTERRA METROPOLITAN DISTRICT NO. 1**  
**STATEMENT OF ACTIVITIES**  
**Year Ended December 31, 2016**

| <u>Functions/Programs</u>                | <u>Expenses</u>      | <u>Charges<br/>for<br/>Services</u> | <u>Program Revenues</u>                           |   | <u>Net (Expense)<br/>Revenue and<br/>Changes in<br/>Net Position</u> |
|--|----------------------|-------------------------------------|---|---|--|
|  |                      |                                     | <u>Operating<br/>Grants and<br/>Contributions</u> | <u>Capital<br/>Grants and<br/>Contributions</u> | <u>Governmental<br/>Activities</u>                                   |
| Government activities:                   |                      |                                     |   |   |  |
| General government                       | \$ 3,203,385         | \$ -                                | \$ -  | \$ -  | (3,203,385)  |
| Interest related costs on long-term debt | 7,194,262            | 1,165,274                           | -   | -   | (6,028,988)  |
| Total governmental activities:           | <u>\$ 10,397,647</u> | <u>\$ 1,165,274</u>                 | <u>\$ -</u>                                       | <u>\$ -</u>                                     | <u>(9,232,373)</u>   |
| General revenues:                        |                      |                                     |   |   |  |
| Net investment income and other income   |                      |                                     |   | 87,459  |  |
| Service fees - District No. 2, 3 & 5     |                      |                                     |   | 428,417   |  |
| Capital reimbursement                    |                      |                                     |   | 19,645  |  |
| LURA revenues                            |                      |                                     |   | 11,097,858                                      |  |
| Total general revenues                   |                      |                                     |   | <u>11,633,379</u>                               |  |
| Change in net position                   |                      |                                     |   | 2,401,006                                       |  |
| Net Position - Beginning                 |                      |                                     |   | (76,032,977)                                    |  |
| Net Position - Ending                    |                      |                                     |   | <u>(73,631,971)</u>                             |  |

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

**CENTERRA METROPOLITAN DISTRICT NO. 1**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**December 31, 2016**

|  | General          | Debt<br>Service   | Capital<br>Projects | Total<br>Governmental<br>Funds |
|--|------------------|-------------------|---------------------|--------------------------------|
| <b>ASSETS</b>                                  |                  |                   |                     |                                |
| Cash and investments                           | 1,022,117        | -                 | -                   | 1,022,117                      |
| Cash and investments - Restricted              | 40,400           | 11,505,763        | 15,002,149          | 26,548,312                     |
| Receivable - Service fees                      | 29,150           | 1,052             | -                   | 30,202                         |
| Construction & Landscaping deposit             | -                | -                 | 94,369              | 94,369                         |
| Other receivable                               | -                | -                 | 552                 | 552                            |
| Prepaid insurance                              | 42,677           | -                 | -                   | 42,677                         |
| <b>TOTAL ASSETS</b>                            | <u>1,134,344</u> | <u>11,506,815</u> | <u>15,097,070</u>   | <u>27,738,229</u>              |
| <b>LIABILITIES AND FUND BALANCES</b>           |                  |                   |                     |                                |
| <b>LIABILITIES</b>                             |                  |                   |                     |                                |
| Accounts payable                               | 146,149          | 34,400            | 1,439,361           | 1,619,910                      |
| Unearned PIF revenue                           | -                | 1,198,119         | -                   | 1,198,119                      |
| Unearned LURA revenue                          | -                | 89,625            | -                   | 89,625                         |
| Total liabilities                              | <u>146,149</u>   | <u>1,322,144</u>  | <u>1,439,361</u>    | <u>2,907,654</u>               |
| <b>FUND BALANCES</b>                           |                  |                   |                     |                                |
| Nonspendable                                   | 42,677           | -                 | -                   | 42,677                         |
| Restricted                                     | 40,400           | 10,184,671        | 13,657,709          | 23,882,780                     |
| Assigned                                       | 10,134           | -                 | -                   | 10,134                         |
| Unassigned                                     | 894,984          | -                 | -                   | 894,984                        |
| Total fund balances                            | <u>988,195</u>   | <u>10,184,671</u> | <u>13,657,709</u>   | <u>24,830,575</u>              |
| <b>TOTAL LIABILITIES AND FUND<br/>BALANCES</b> | <u>1,134,344</u> | <u>11,506,815</u> | <u>15,097,070</u>   |                                |

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

|  |                     |
|--|---------------------|
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the funds.                          |                     |
| Capital assets, not being depreciated  | 14,814,882          |
| Capital assets, net  | 19,454,464          |
| Long-term liabilities, including a loan payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. |                     |
| Loan payable   | (131,510,000)       |
| Loan interest payable  | (544,216)           |
| Capital advance payable  | (1,438,454)         |
| Capital advance interest payables  | (88,652)            |
| Net difference on derivative instruments   | 849,430             |
| Net position of governmental activities  | <u>(73,631,971)</u> |

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

**CENTERRA METROPOLITAN DISTRICT NO. 1**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year Ended December 31, 2016**

|   | General           | Debt<br>Service      | Capital<br>Projects  | Total<br>Governmental<br>Funds |
|---|-------------------|----------------------|----------------------|--------------------------------|
| <b>REVENUES</b>   |                   |                      |                      |                                |
| Service fees - District 2, 3 & 5                        | \$ 403,755        | \$ 24,662            | \$ -                 | \$ 428,417                     |
| Net investment and other income                         | 14,884            | 11,246               | 61,329               | 87,459                         |
| Public improvement fees                                 | -                 | 1,165,274            | -                    | 1,165,274                      |
| LURA revenues   | 927,010           | 10,170,848           | -                    | 11,097,858                     |
| Total Revenues  | <u>1,345,649</u>  | <u>11,372,030</u>    | <u>61,329</u>        | <u>12,779,008</u>              |
| <b>EXPENDITURES</b>                                     |                   |                      |                      |                                |
| Current   |                   |                      |                      |                                |
| Accounting & financial management                       | 126,956           | -                    | -                    | 126,956                        |
| Audit   | 16,500            | -                    | -                    | 16,500                         |
| Chapungu Park   | 179,947           | -                    | -                    | 179,947                        |
| Directors' fees   | 2,691             | -                    | -                    | 2,691                          |
| District management                                     | 179,150           | -                    | 16,156               | 195,306                        |
| Engineering   | 4,671             | -                    | 8,192                | 12,863                         |
| Hardscape maintenance                                   | 71,816            | -                    | -                    | 71,816                         |
| Insurance and bonds                                     | 29,778            | -                    | -                    | 29,778                         |
| Landscape maintenance                                   | 478,942           | -                    | -                    | 478,942                        |
| Legal   | 118,474           | -                    | -                    | 118,474                        |
| Major Repairs & Replacement                             | 80,477            | -                    | 401,464              | 481,941                        |
| Office expense/miscellaneous                            | 6,699             | -                    | -                    | 6,699                          |
| Snow removal and sidewalk sweeping                      | 5,842             | -                    | -                    | 5,842                          |
| Utilities   | 122,183           | -                    | -                    | 122,183                        |
| Debt service  |                   |                      |                      |                                |
| Paying agent/trustee/banking fees                       | -                 | 2,750                | -                    | 2,750                          |
| Principal payments                                      | -                 | 4,417,500            | -                    | 4,417,500                      |
| Interest expense  | -                 | 6,622,147            | -                    | 6,622,147                      |
| Debt fees   | -                 | 187,934              | -                    | 187,934                        |
| City of Loveland collection fees                        | -                 | 58,882               | -                    | 58,882                         |
| Debt issue costs  | -                 | -                    | 148,087              | 148,087                        |
| Capital outlay  | -                 | -                    | 5,035,619            | 5,035,619                      |
| Total expenditures                                      | <u>1,426,126</u>  | <u>11,289,213</u>    | <u>5,609,518</u>     | <u>18,324,857</u>              |
| <b>EXCESS OF REVENUES OVER<br/>(UNDER) EXPENDITURES</b> | <u>(80,477)</u>   | <u>82,817</u>        | <u>(5,548,189)</u>   | <u>(5,545,849)</u>             |
| <b>OTHER FINANCING SOURCES (USES)</b>                   |                   |                      |                      |                                |
| Capital advance   | -                 | -                    | 288,270              | 288,270                        |
| Capital reimbursement                                   | -                 | -                    | 19,645               | 19,645                         |
| Total other financing sources (uses)                    | <u>-</u>          | <u>-</u>             | <u>307,915</u>       | <u>307,915</u>                 |
| <b>NET CHANGE IN FUND BALANCES</b>                      | <u>(80,477)</u>   | <u>82,817</u>        | <u>(5,240,274)</u>   | <u>(5,237,934)</u>             |
| <b>FUND BALANCES - BEGINNING OF YEAR</b>                | <u>1,068,672</u>  | <u>10,101,854</u>    | <u>18,897,983</u>    | <u>30,068,509</u>              |
| <b>FUND BALANCES - END OF YEAR</b>                      | <u>\$ 988,195</u> | <u>\$ 10,184,671</u> | <u>\$ 13,657,709</u> | <u>\$ 24,830,575</u>           |

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

**CENTERRA METROPOLITAN DISTRICT NO. 1  
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 | \$ (5,237,934) |
|--|----------------|

Governmental funds report capital outlays as expenditures. In the statement of activities capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense the allocation of the cost of any depreciable asset of the estimated useful life of the asset.

|                |             |
|----------------|-------------|
| Capital outlay | 5,437,083   |
| Depreciation   | (1,752,911) |

The issuance of long-term debt (e.g., bonds, advances) 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.

Also, governmental funds report the effect of issuance premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

This amount is the net effect of these differences in the treatment of long-term debt and related items.

|  |           |
|--|-----------|
| Current year debt - Developer advance    | (288,270) |
| Current year repayment of debt principal | 4,417,500 |

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 capital advance - Change in liability | (76,162)  |
| Accrued interest on loan payable - Change in liability    | 5,875     |
| Net change in derivative instruments                      | (104,175) |

|  |                     |
|--|---------------------|
| Changes in net position of governmental activities | <u>\$ 2,401,006</u> |
|--|---------------------|

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

**CENTERRA METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 1 – DEFINITION OF REPORTING ENTITY**

Centerra Metropolitan District No. 1 (District), a quasi-municipal corporation was organized on June 14, 2004, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District's service area is located in the City of Loveland (City), Larimer County, Colorado. The District was established to provide construction, installation, financing and operation of public improvements, including streets, traffic safety controls, landscaping, water, sanitary sewer, storm drainage, television relay, and park and recreation facilities. The District's service plan was approved by the City. Pursuant to the consolidated service plan for Centerra Metropolitan Districts No. 1-4, the District operates as the Service District related to Centerra Metropolitan District No. 2 (Commercial District), Centerra Metropolitan District No. 3 (Residential District), Centerra Metropolitan District No. 4 (Regional Improvements District) and Centerra Metropolitan District No. 5 (Industrial District).

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's 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 all operations and administrative functions are contracted.

On January 26, 2004, Centerra Public Improvement Collection Corporation (PIC Corporation) and the Centerra Retail Sales Fee Corporation (RSF Corporation) were formed. Both PIC Corporation and RSF Corporation are nonprofit corporations that were formed for the purpose of adopting and imposing Declarations and Covenants on property within Centerra and for the purpose of imposing and collecting certain fees. PIC and RSF Corporations have entered into an agreement with the District whereby on June 4, 2004, PIC and RSF Corporations have agreed to remit to the District certain revenues received from fees imposed by PIC and RSF Corporations in consideration of the District's financing, construction and operation of public improvements which benefit the members of PIC and RSF Corporations. In the refinancing of the 2004 bonds in March of 2008, the RSF Corporation was released from its agreement.

The District is not financially accountable for any other organization, including Centerra Metropolitan Districts No. 2-5, PIC Corporation and RSF Corporation, nor is the District a component unit of any other primary governmental entity, including the City.

**CENTERRA METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Government-wide and Fund Financial Statements**

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

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

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

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are service fees and public improvement fees.

**CENTERRA METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

All other revenue items are considered to be measurable and available only when cash is received by the District. The District determined that advances are not considered as revenue susceptible to accrual. Program revenues consist of public improvement fees. Expenditures, other than interest on long-term obligations are recorded when the liability is incurred or the long-term obligation paid.

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.

The Capital Projects fund is used to account for financial resources to be used for the acquisition and construction of capital equipment and facilities.

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 total 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.

**CENTERRA METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

Investments are carried at fair value.

For purpose of presentation in the financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an original maturity of more than three months are reported as investments.

**Capital Assets**

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

Capital assets which are anticipated to be conveyed to other governmental entities are recorded as construction in progress, and are not included in the calculation of invested in capital assets, net of related debt component of the District's net position.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Depreciation expense has been computed using the straight-line method over the following estimated economic useful life:

|                                   |          |
|-----------------------------------|----------|
| Monumentation                     | 20 years |
| Landscape/Parks and recreation    | 20 years |
| Promenade infrastructure          | 20 years |
| Sanitary sewer and storm drainage | 20 years |
| Streets                           | 20 years |

**CENTERRA METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Accounting Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Fund Equity**

The Governmental Accounting Standards Board issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, effective for reporting periods beginning after June 15, 2010. The statement establishes fund balance classifications, provides for a hierarchy of spending constraints for spendable resources and requires disclosure of nonspendable and spendable resources. The District adopted this in fiscal year 2011 and has disclosed this information in Note 8 (Fund Balance).

**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              | \$ 1,022,117                |
| Cash and investments - Restricted | <u>26,548,312</u>           |
| Total cash and investments        | <u><u>\$ 27,570,429</u></u> |

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

|                                      |                             |
|--------------------------------------|-----------------------------|
| Deposits with financial institutions | \$ 51,318                   |
| Investments                          | <u>27,519,111</u>           |
| Total cash and investments           | <u><u>\$ 27,570,429</u></u> |

**CENTERRA METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 3 – CASH AND INVESTMENTS (CONTINUED)**

**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 equal to the aggregate uninsured deposits.

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

At December 31, 2016, the District's cash deposits had a bank balance of \$1,037,457 that was either federally insured or collateralized by PDPA, and a carrying balance of \$51,318.

**Investments**

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments and complies with the tax compliance certificate regarding the investment of funds from the District's 2014 Loan Agreement (See Note 5).

The District generally limits its concentration of investments to local government investment pools, which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk disclosure requirements or subject to investment custodial credit risk for investments that are in the possession of another party.

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
- Bankers' acceptances of certain banks

**CENTERRA METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 3 – CASH AND INVESTMENTS (CONTINUED)**

- 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

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

| Government Activities            | Standard<br>and Poor's | Investment Maturity (in Years) |      |      |               |
|----------------------------------|------------------------|--------------------------------|------|------|---------------|
| Investment Type                  | Rating                 | Less than 1                    | 1-3  | 4-5  | Total         |
| Local Government Investment Pool | AAAm                   | \$ 1,084,293                   | \$ - | \$ - | \$ 1,084,293  |
| US Bank Money Market             | Not Rated              | 11,628,826                     | -    | -    | 11,628,826    |
| Public Funds Money Market        | Not Rated              | 14,805,992                     | -    | -    | 14,805,992    |
|                                  |                        | \$ 27,519,111                  | \$ - | \$ - | \$ 27,519,111 |

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 observable inputs.

**COLOTRUST**

During 2016, the District invested in the Colorado Local Government Liquid Asset Trust (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value up to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+, both of which are rated AAAM from Standard and Poor's. 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 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. As of December 31, 2016, the Centerra Metropolitan District No. 1 had \$1,084,293 invested in COLOTRUST PRIME.

**CENTERRA METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 3 – CASH AND INVESTMENTS (CONTINUED)**

ColoTrust is not a 2a7-like external investment pool. The unit of account is each share held, and the value of the position would be the fair value of the pool's share price multiplied by the number of shares held. The government-investor does not "look through" the pool to report a pro rata share of the pool's investments, receivables, and payables. This investment is valued using Level 2 inputs.

The District invested \$26,434,818 in Money Market Mutual Funds. Portfolio investments are assigned a level based upon the observability of the inputs which are significant to the overall valuation. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. The fair value of investments in money market funds is based on the published net asset values per share of those funds. Money market securities are valued using amortized cost, in accordance with Rule 2a-7 under the 1940 Act. Generally, amortized cost approximates the current fair value of a security, but since the value is not obtained from a quoted price in an active market, such securities held by Prime Series and Government Series are categorized as Level 2.

The investment derivative instruments (Note 5) are categorized as Level 2 are valued using market approaches that consider, as applicable, benchmark interest rates or foreign exchange rates.

**CENTERRA METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 4 – CAPITAL ASSETS**

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

|   | <u>Balance at<br/>December 31,<br/>2015</u> | <u>Increases</u>    | <u>Decreases</u> | <u>Balance at<br/>December 31,<br/>2016</u> |
|---|---|---------------------|------------------|---|
| <b>Governmental Activities:</b>                 |   |                     |                  |   |
| Capital assets, not being depreciated:          |   |                     |                  |   |
| Construction in progress                        | \$ 5,954,718                                | \$ 5,437,082        | \$ -             | \$ 11,391,800                               |
| Water rights                                    | 3,423,082                                   | -                   | -                | 3,423,082                                   |
| Total capital assets,<br>not being depreciated  | <u>9,377,800</u>                            | <u>5,437,082</u>    | <u>-</u>         | <u>14,814,882</u>                           |
| Capital assets, being depreciated:              |   |                     |                  |   |
| Monumentation                                   | 4,550,218                                   | -                   | -                | 4,550,218                                   |
| Landscape improvements                          | 8,726,633                                   | -                   | -                | 8,726,633                                   |
| Promenade shops                                 | 20,988,826                                  | -                   | -                | 20,988,826                                  |
| Sanitary sewer and storm drainage               | 118,843                                     | -                   | -                | 118,843                                     |
| Streets   | 673,695                                     | -                   | -                | 673,695                                     |
| Total capital assets, being depreciated:        | <u>35,058,215</u>                           | <u>-</u>            | <u>-</u>         | <u>35,058,215</u>                           |
| Less accumulated depreciation for:              |   |                     |                  |   |
| Monumentation                                   | 2,212,863                                   | 227,511             | -                | 2,440,374                                   |
| Landscape improvements                          | 3,570,909                                   | 436,332             | -                | 4,007,241                                   |
| Promenade shops                                 | 7,836,983                                   | 1,049,441           | -                | 8,886,424                                   |
| Sanitary sewer and storm drainage               | 33,105                                      | 5,942               | -                | 39,047                                      |
| Streets   | 196,980                                     | 33,685              | -                | 230,665                                     |
| Total accumulated depreciation:                 | <u>13,850,840</u>                           | <u>1,752,911</u>    | <u>-</u>         | <u>15,603,751</u>                           |
| Total capital assets, being<br>depreciated, net | <u>21,207,375</u>                           | <u>(1,752,911)</u>  | <u>-</u>         | <u>19,454,464</u>                           |
| Governmental activities<br>capital assets, net  | <u>\$ 30,585,175</u>                        | <u>\$ 3,684,171</u> | <u>\$ -</u>      | <u>\$ 34,269,346</u>                        |

Depreciation expense was charged to functions/programs of the District as follows:

|  |                     |
|--|---------------------|
| <b>Governmental Activities:</b>                      |                     |
| General government                                   | \$ 1,752,911        |
| Total depreciation expense - Governmental activities | <u>\$ 1,752,911</u> |

**CENTERRA METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 5 – LONG-TERM OBLIGATIONS**

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

|                              | <b>Balance at<br/>December 31,<br/>2015</b> | <b>Additions</b>    | <b>Reductions</b>      | <b>Balance at<br/>December 31,<br/>2016</b> | <b>Due<br/>Within<br/>One Year</b> |
|------------------------------|---|---------------------|------------------------|---|------------------------------------|
| Loan agreement               | \$ 135,927,500                              | \$ -                | \$ (4,417,500)         | \$ 131,510,000                              | \$ 4,587,500                       |
| Interest on loan agreement   | 550,092                                     | 6,616,272           | (6,622,147)            | 544,217                                     | 544,217                            |
| Capital advances             | 1,150,184                                   | 288,270             | -                      | 1,438,454                                   | 1,438,454                          |
| Interest on capital advances | 12,490                                      | 76,162              | -                      | 88,652                                      | 88,652                             |
|                              | <u>\$ 137,640,266</u>                       | <u>\$ 6,980,704</u> | <u>\$ (11,039,647)</u> | <u>\$ 133,581,323</u>                       | <u>\$ 6,658,823</u>                |

**2014 Loan Agreement** A loan agreement (2014 Loan) dated December 4, 2014 was issued in the original amount of \$139,700,000 for the purpose of: (i) refunding the District's outstanding 2011 Loan; (ii) acquiring and constructing certain public infrastructure improvements in the District required for the Development, consisting generally of streets, water, sanitary sewer, park and recreation, and related improvements, including reimbursements to the Developer for amounts advanced for such purposes; and (iii) paying certain costs related to the issuance of the 2014 Loan. The 2014 Loan establishes a variable interest rate of 1.95% plus 75% of the London Interbank Offered Rate (LIBOR), payable quarterly. On the loan issuance date, the District was funded \$128,200,000. The remaining \$11,500,000 was retained by the lender and was made available through advances until fully funded on December 9, 2015. The 2014 Loan matures on December 4, 2021. At or prior to maturity, the District anticipates entering into a new loan agreement or remarketing the debt in the form of bonds. The 2014 loan requires annual principal payments starting on December 1, 2015.

The loan is secured by and payable from the Pledged Revenue consisting of monies derived by the District from the following sources, net of any collection costs: (1) Tax Increment Financing (TIF) Revenues derived from the Required Mill Levy, (2) Public Improvement Fee (PIF) Revenues, and (3) any other legally available monies which the District determines to be treated as Pledged Revenue. The loan is also secured by amounts held by the Custodian in the Reserve Fund(s). Required Mill Levy means an ad valorem mill levy imposed upon all taxable property of Centerra Metropolitan District No. 2 each year in a 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 72 mills and the

**CENTERRA METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 5 – LONG-TERM OBLIGATIONS (CONTINUED)**

minimum Mill Levy is 35 mills, with respect to Centerra Metropolitan District No. 2, adjusted for changes in the ratio, if any, of actual value to assessed value of property within the District. As of December 31, 2016, the adjusted maximum mill levy is 72 mills and the adjusted minimum mill levy is 35 mills. For collection year 2016, the Centerra Metropolitan District No. 2 levied 35 debt service mills. In addition, property excluded from District No. 2 is responsible for its proportionate share of District debt at the time of exclusion. For collection year 2016, District No. 2 levied 6.655 mills on property excluded in 2007 and levied 35 mills on property excluded in 2010.

**Flow of Funds**

Pursuant to the Loan Agreement, the Custodian has established a Debt Service Fund. Pursuant to the Custodial Agreement, the District is to deposit the following pledged revenues into the Debt Service Fund: i) Tax Increment Financing (TIF) Revenues; and ii) Residential Contributions, defined by the "Residential District IGA" as an amount equal to the assessment of 5 mills against taxable property within the Residential District, from the earlier of: (a) the issuance of the first certificate of occupancy in the Residential District; or (b) January 1, 2009, through at least August 19, 2029. Also, the Custodial Agreement requires that the following Collateral Revenues are to be deposited in the following subaccounts of the Collateral Revenue Fund: i) into the PIF Revenue Account all Public Improvement Fee (PIF) Revenues; ii) into the S/O Tax Revenue Account, all specific ownership tax revenues. The revenues deposited into the Debt Service Fund and the Collateral Revenue Fund are to be used as set forth below.

**Debt Service Fund**

Amounts deposited into the Debt Service Fund are to be applied to the following purposes in the following order of disbursement priority, provided that such transfers are to be made first from the TIF Revenue Account, second, from the Residential Tax Revenue Account, and third, from the PIF Debt Requirements Account.

- i) Payment of Fees due to the Custodian.
- ii) Payments on debt service on the 2014 Loan, and then payments on the swap agreements with Royal Bank of Canada (RBC) and Banco Bilbao Vizcaya Argentaria, S.A. (BBVA) (see Note 10).
- iii) Payments to replenish the Debt Service Reserve Funds to the extent that the Debt Service Fund Requirement is not being met.
- iv) Payment for Swap Termination if needed.

**CENTERRA METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 5 – LONG-TERM OBLIGATIONS (CONTINUED)**

- v) Payment to the Loveland Urban Renewal Authority (LURA) as the Regional Allocation pursuant to the terms of the Master Financing Agreement (MFA).
- vi) Payment for operations of the District, not to exceed the District's annual operating budget and not greater than \$167,000 per month when combined with transfers made from the Collateral Revenue Fund, without prior written consent of the majority bank.

**Collateral Revenue Fund**

Amounts deposited into the Collateral Revenue Fund are to be applied to the following purposes in the following order of disbursement priority, provided that such transfers are to be made first from PIF Revenue Account then from the S/O Tax Revenue Account:

- i) From the amount on deposit in the PIF Revenue Account to the City for any unpaid fees or expenses due under the terms on the Collection Agreement.
- ii) From amounts on deposit in the PIF Revenue Account to the PIF Debt Requirement Account of the Debt Service Fund, to fund any insufficiencies of the Debt Service Fund as outlined above.
- iii) Solely from the amounts on deposit in the PIF Revenue Account to the LURA as the Regional Allocation pursuant to the terms of the MFA.
- iv) Payment for operations of the District, not to exceed the District's annual operating budget and not greater than \$167,000 per month when combined with transfers made from the Debt Service Fund, without prior written consent of the majority bank.

The District amended the existing swap agreement with Royal Bank of Canada (RBC) for the purpose of creating a synthetic fixed interest rate of 5.410% (1.95% bank rate plus 3.46% swap rate) with per annum on \$98,820,000 of the 2014 Loan (See Note 9).

The District entered into an additional swap agreement with Royal Bank of Canada (RBC) during 2014 for the purpose of creating a synthetic fixed interest rate of 4.008% (1.95% bank rate plus 2.058% swap rate) with per annum on \$18,222,500 of the 2014 Loan (See Note 9).

The District entered into a swap agreement with Banco Bilbao Vizcaya Argentaria (BBVA) during 2011 for the purpose of creating a synthetic fixed interest rate of 3.556% per annum on \$8,030,000 of the 2014 Loan. In 2016, the swap agreement with BBVA matured and the remaining balance of \$7,385,000 was combined with the swap agreement with Royal Bank of Canada (RBC). (See Note 9)

**CENTERRA METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 5 – LONG-TERM OBLIGATIONS (CONTINUED)**

The District's long-term obligations, using the synthetic fixed interest rates, mature as follows:

|      | <b>Governmental Activities</b> |                 |                |
|------|--------------------------------|-----------------|----------------|
|      | <b>Principal</b>               | <b>Interest</b> | <b>Total</b>   |
| 2017 | \$ 4,587,500                   | \$ 6,105,220    | \$ 10,692,720  |
| 2018 | 4,922,500                      | 5,904,019       | 10,826,519     |
| 2019 | 5,167,500                      | 5,659,407       | 10,826,907     |
| 2020 | 5,412,500                      | 5,402,172       | 10,814,672     |
| 2021 | 111,420,000                    | 5,134,713       | 116,554,713    |
|      | \$ 131,510,000                 | \$ 28,205,531   | \$ 159,715,531 |

**Refunding**

On December 4, 2014, the District refunded and defeased (debt legally satisfied) \$121,321,609 of the 2011 Loan dated June 8, 2011, with a variable interest rate of 2.0625% plus 75% of LIBOR, by the issuance of the 2014 Loan for \$139,700,000 dated December 4, 2014, with a variable interest rate of 1.95% plus 75% of LIBOR. The District refunded the 2011 Series bonds to obtain additional loan funds. There was an economic loss (difference between the present values of the debt service payments on the old and new debt) of \$890,872. Restrictions on the monies restricted for interest payments and the reserve account pertaining to the defeased loan were removed under the new refunding. The defeased loan is not considered a liability of the District since sufficient funds in the amount of \$121,321,609 were deposited with a trustee for the purpose of paying the principal and interest of the defeased loan on December 4, 2014, at which point the loan was repaid in its entirety from funds in the escrow account.

**CENTERRA METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 5 – LONG-TERM OBLIGATIONS (CONTINUED)**

**Authorized Debt**

On May 4, 2004, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$5,350,000,000 at an interest rate not to exceed 18% per annum. At December 31, 2016, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

|  | <u>Amount<br/>Authorized<br/>May 4, 2004</u> | <u>Authorization<br/>Used<br/>2004/2008<br/>Bonds</u> | <u>Authorization<br/>Used<br/>2011 Loan</u> | <u>Authorization<br/>Used<br/>2014 Loan</u> | <u>Authorized<br/>But<br/>Unissued</u> |
|--|--|---|---|---|--|
| Street improvement   | \$ 350,000,000                               | \$ 52,653,216   | \$ 13,905,576                               | \$ 15,026,250                               | \$ 268,414,958                         |
| Traffic and safety controls  | 350,000,000                                  | 3,335,311   | 7,297                                       |   | 346,657,392                            |
| Water supply system  | 350,000,000                                  | 8,559,504   | 924,395                                     | 1,849,463                                   | 338,666,638                            |
| Sanitary sewer and storm drainage  | 350,000,000                                  | 25,818,969  | 3,220,074                                   | 4,676,864                                   | 316,284,093                            |
| Parks and recreation   | 350,000,000                                  | 14,067,600  | 215,365                                     | 45,814                                      | 335,671,221                            |
| Public transportation  | 350,000,000                                  | 125,400   |   |   | 349,874,600                            |
| Television relay and transmission  | 350,000,000                                  |   | 128,902                                     |   | 349,871,098                            |
| Mosquito control   | 350,000,000                                  |   |   |   | 350,000,000                            |
| Fire protection  | 350,000,000                                  |   |   |   | 350,000,000                            |
| Administrative/management services   | 50,000,000                                   |   |   |   | 50,000,000                             |
| Refinancing district debt  | 700,000,000                                  | 64,440,000  | 110,920,000                                 | 121,321,609                                 | 403,318,391                            |
| Intergovernmental agreements among Centerra<br>Metropolitan Districts Nos. 1-5 | 500,000,000                                  |   |   |   | 500,000,000                            |
| Contracts with other political subdivisions                                    | 500,000,000                                  |   |   |   | 500,000,000                            |
| Reimbursement obligations to private entities                                  | 400,000,000                                  |   |   |   | 400,000,000                            |
| Construction management  | 50,000,000                                   |   |   |   | 50,000,000                             |
|  | <u>\$ 5,350,000,000</u>                      | <u>\$ 169,000,000</u>                                 | <u>\$ 129,321,609</u>                       | <u>\$ 142,920,000</u>                       | <u>\$ 4,908,758,391</u>                |

**CENTERRA METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 6 – NET POSITION**

The District's net position consists of three components – net investment in capital assets, restricted, and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds and other borrowings that are attributable to the acquisition, constructions, or improvement of those assets. As of December 31, 2016, the District had investment in capital assets, net of related debt calculated as follows:

|   | <b>Governmental<br/>Activities</b> |
|---|------------------------------------|
| Net investment in capital assets:                       |                                    |
| Capital assets, net                                     | \$ 34,269,346                      |
| Unspent debt proceeds                                   | 5,045,475                          |
| Current and noncurrent portion of long-term obligations | (66,652,049)                       |
| Net investment in capital assets                        | \$ (27,337,228)                    |

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

|                               | <b>Governmental<br/>Activities</b> |
|-------------------------------|------------------------------------|
| Restricted net position:      |                                    |
| Emergencies (see Note 2)      | \$ 40,400                          |
| Debt service                  | 10,184,671                         |
| Capital projects              | 13,657,709                         |
| Total restricted net position | \$ 23,882,780                      |

The District's unrestricted net position as of December 31, 2016 totaled \$(73,631,970). This deficit amount was a result of the District being responsible for the financing and repayment of debt issued for the construction of public improvements which were conveyed to other governmental entities and which assets were removed from the District's financial records.

**CENTERRA METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 7 – FUND BALANCE**

The District has adopted GASB Statement Number 54, *Fund Balance Reporting and Governmental Funds Type Definitions*. Based on that statement, fund balances of the governmental funds are classified as follows:

*Nonspendable* – Amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

*Restricted* – Amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

*Committed* – Amounts that can be used only for specific purposes determined by a formal action of District’s Board. The Board is the highest level of decision-making body for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board.

*Assigned* – Amounts that do not meet the criteria to be classified as restricted or committed by that are intended to be used for specific purposes. Only the Board may assign fund balances for specific purposes.

*Unassigned* – All other spendable amounts.

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

**CENTERRA METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 7 – FUND BALANCE (CONTINUED)**

As of December 31, 2016, fund balances are composed of the following:

|                   | <u>General Fund</u> | <u>Debt Service Fund</u> | <u>Capital Projects Fund</u> | <u>Total Governmental Funds</u> |
|-------------------|---------------------|--------------------------|------------------------------|---------------------------------|
| Nonspendable:     |                     |                          |                              |                                 |
| Prepaid expenses  | \$ 42,677           | \$ -                     | \$ -                         | \$ 42,677                       |
| Restricted:       |                     |                          |                              |                                 |
| Emergency reserve | 40,400              | -                        | -                            | 40,400                          |
| Debt Service      | -                   | 10,184,671               | -                            | 10,184,671                      |
| Capital           | -                   | -                        | 13,657,709                   | 13,657,709                      |
| Assigned:         | 10,134              | -                        | -                            | 10,134                          |
| Unassigned:       | 894,984             | -                        | -                            | 894,984                         |
|                   | <u>\$ 988,195</u>   | <u>\$ 10,184,671</u>     | <u>\$ 13,657,709</u>         | <u>\$ 24,830,575</u>            |

**NOTE 8 – RELATED PARTY**

The owners of portions of the property served by the District are Centerra Investments, LLC (CI, LLC); Centerra Properties West, LLC (CPW); and SMP4 Investments, Inc. (SMP4). The Developer of the property is affiliated with CI, LLC, CPW, and SMP4. The members of the Board of Directors are employees, owners or are otherwise associated with the Developer and have disclosed any potential conflicts of interest in taking action on matters brought before the Board. The District has repaid all amounts owed to CI, LLC, CPW, and SMP4 as of December 31, 2016 (See Note 5).

**NOTE 9 – AGREEMENTS**

**Master Financing Agreement**

The Master Financing Agreement (MFA), dated January 20, 2004, was entered into among the District, the City, the Loveland Urban Renewal Authority (LURA), the Developer, Centerra Public Improvement Collection Corporation, and Centerra Public Improvement Development Corporation. Pursuant to the MFA the LURA assigned the net TIF Revenues to the District for the purpose of financing certain public improvements. The MFA also requires the recording of the PIF Covenant against all of the property within the Commercial District to provide for the imposition of a Public Improvement Fee. In connection with the PIF the City agrees in the MFA to grant a credit against the collection of 1.25% of its 3.0% sales tax on taxable sales transactions occurring within the Commercial District. The MFA also provides for the payment to the District by the Residential District of 5.000 mills against the property in the Residential District (referred

**CENTERRA METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 9 – AGREEMENTS (CONTINUED)**

to as the Residential Contribution). The MFA authorizes the District to provide for the construction or acquisition of certain public improvements.

**Funding and Reimbursement Agreement (Capital Costs)**

On February 9, 2015, the District entered into two Advance and Reimbursement Agreements with Poudre Valley Health Care, Inc., (“PVHS”), funding and repayment of costs for the design and construction of Hahns Peak Drive. PVHS advanced funds to the District in a principal amount not to exceed \$125,000 (Design) and \$1,448,258 (Construction), respectively. The two advances bear simple interest at the rate of two percent plus the Federal Reserve Bank Prime Rate, or six percent, whichever is greater. The balance due at December 31, 2016 is \$1,438,454 (see Note 5).

**Interest Rate Swaps**

On March 20, 2008, the District entered into a swap agreement with RBC for the notional amount of \$112,000,000 (referred to as the 2008 swap). On June 8, 2011, the District amended the 2008 swap with RBC to change payment based on the Securities Industry and Financial Markets Association Swap Index (SIFMA) to LIBOR.

On June 8, 2011, the District entered into a swap agreement with BBVA for the notional amount of \$10,000,000 (referred to as the 2011 swap). In 2016, the swap agreement with BBVA matured and the remaining balance of \$7,385,000 was combined with the 2014 swap with RBC.

On December 4, 2014, the District entered into an additional swap agreement with RBC for the notional amount of \$18,500,000 (referred to as the 2014 swap).

*Objective of the interest rate swaps.* The objective of each interest rate swap is to offset the variability of cash flows in the interest payments of the variable-rate debt due to fluctuations in interest rates and to lower its borrowing costs, when compared to against fixed rate bonds at the time of issuance in June 2011.

*Terms.* The 2008 swap’s current notional amount is \$95,720,000 and matures on December 1, 2029. The principal amount of the 2014 Loan exceeds the notional amount of the 2008 swap. Under the swap, the District pays the counterparty a fixed payment of 3.46% through December 1, 2029, and receives a variable payment based on the LIBOR Index.

**CENTERRA METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 9 – AGREEMENTS (CONTINUED)**

The 2014 swap's current notional amount is \$24,635,000 and matures on December 1, 2029. The principal amount of the 2014 Loan exceeds the notional amount of the 2014 swap. Under the swap, the District pays the counter party a fixed payment of 2.058% and receives a variable payment based on the LIBOR Index.

*Fair Value.* Derivative instruments are required to be reported at fair value. The fair value of the interest rate swaps were estimated using the zero-coupon method. The changes in fair value of hedging derivative instruments are reported as deferred outflows and inflows, whereas the changes in the fair value of investment derivative instruments are immediately reported on the statement of activities. The fair market value and change in fair market value are as follows:

|                                | <u>Fair Value at December 31, 2016</u> |                | <u>Changes in Fair Value</u> |                | <u>Notional</u> |
|--------------------------------|--|----------------|------------------------------|----------------|-----------------|
|                                | <u>Classification</u>                  | <u>Amount</u>  | <u>Classification</u>        | <u>Amount</u>  |                 |
| <b>Governmental activities</b> |  |                |                              |                |                 |
| Cash flow hedges:              |  |                |                              |                |                 |
| Pay-fixed interest rate swap   | Derivatives                            | \$ (1,158,783) | Deferred outflow             | \$ (2,167,268) | \$ 120,355,000  |

*Objective and Terms of Hedging Derivative Instruments.* The following table displays the objective and terms of the hedging derivative instruments outstanding at the end of the period; amounts in thousands.

| <u>Type</u>                     | <u>Objective</u>                                  | <u>Notional Amount</u> | <u>Trade Date</u> | <u>Termination Date</u> | <u>Terms</u>                         | <u>Counterparty Rating</u> |
|---------------------------------|---|------------------------|-------------------|-------------------------|--------------------------------------|----------------------------|
| Pay-fixed<br>Interest rate swap | Hedge interest rate risk<br>on variable-rate debt | 95,720                 | 03/19/08          | 12/01/29                | Pay 3.46%<br>Receive 1m LIBOR * 75%  | Aa3                        |
| Pay-fixed<br>Interest rate swap | Hedge interest rate risk<br>on variable-rate debt | 24,635                 | 12/04/14          | 12/01/29                | Pay 2.058%<br>Receive 1m LIBOR * 75% | Aa3                        |

*Credit Risk.* As of December 31, 2016, the District is not exposed to the credit risk of its counterparties. The District is unaware of any circumstance or condition that would preclude the counterparties from not complying with the terms of the derivative agreements. The 2008 swap and 2014 swap counterparties were rated Aa3 from Moody's as of December 31, 2016.

**CENTERRA METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 9 – AGREEMENTS (CONTINUED)**

*Interest Rate Risk.* The 2008 swap and 2014 swap are pay-fixed, receive-variable cash flow hedge that hedges interest rate risk associated with the 2014 loan. The District believes it has significantly reduced interest rate risk attributable to the principal amount being hedged by entering into the interest rate swap.

*Termination Risk.* The District or the counterparties may terminate the swap if the other party fails to perform under the terms of the contract. The swaps may be terminated at any time based on the District's option or because of default. Termination of the swaps can occur when the swap is in a potentially significant liability position.

**NOTE 10 - COMMITMENTS AND CONTINGENCIES**

**Construction Commitments**

As of December 31, 2016, the District had unexpended construction commitments of \$4,403,415.

**NOTE 11 – RISK MANAGEMENT**

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

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2016. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

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

**CENTERRA METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 12 – TAX, SPENDING AND DEBT LIMITATIONS**

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

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

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. For the year ended December 31, 2016, the District had \$40,400 reserved for emergencies.

On May 4, 2004, a majority of the District's electors authorized the District to collect and spend or retain in a reserve all currently levied and future levied taxes and fees of the District, up to the amounts specified in the May 2004 election, 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.

**NOTE 13 – SUBSEQUENT EVENTS**

Subsequent to year end, the District issued \$187,975,000 in Special Revenue Refunding and Improvement Bonds, Series 2017 (2017 Bonds), on April 26, 2017. The proceeds from the 2017 Bonds were used to refund the 2014 Loan in the amount of \$131,510,000; terminate the 2008 swap and 2014 swap with a termination payment of \$17,138,000; fund an Improvement Project Fund for further acquisition and construction of certain public infrastructure improvements in the District required for District development, consisting generally of streets, water, sanitary sewer, park and recreation, and related improvements; and to pay certain costs related to the issuance of the 2017 Bonds.

REQUIRED SUPPLEMENTAL INFORMATION

**CENTERRA METROPOLITAN DISTRICT NO. 1**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - BUDGET AND ACTUAL**  
**Year Ended December 31, 2016**

|   | <u>Budget Amounts</u> |                   | <u>Variance with</u> |
|---|-----------------------|-------------------|----------------------|
|   | <u>Original and</u>   | <u>Actual</u>     | <u>Final Budget</u>  |
|   | <u>Final</u>          | <u>Amounts</u>    | <u>Positive</u>      |
|   |                       |                   | <u>(Negative)</u>    |
| <b>REVENUES</b>                           |                       |                   |                      |
| Service fees - District 2                 | \$ 392,244            | \$ 402,861        | \$ 10,617            |
| Service fees - District 3                 | 295                   | 299               | 4                    |
| Service fees - District 5                 | 527                   | 595               | 68                   |
| Net investment and other income           | 9,000                 | 14,884            | 5,884                |
| LURA revenues (O&M)                       | 1,016,349             | 927,010           | (89,339)             |
| Total Revenues                            | <u>1,418,415</u>      | <u>1,345,649</u>  | <u>(72,766)</u>      |
| <b>EXPENDITURES</b>                       |                       |                   |                      |
| Accounting & financial management         | 150,578               | 126,956           | 23,622               |
| Audit                                     | 19,000                | 16,500            | 2,500                |
| Chapungu park                             | 183,017               | 179,947           | 3,070                |
| Directors' fees                           | 3,000                 | 2,691             | 309                  |
| District management & administration      | 174,640               | 179,150           | (4,510)              |
| Election                                  | -                     | 2,000             | (2,000)              |
| Engineering & other professional services | 2,000                 | 4,671             | (2,671)              |
| Hardscape maintenance                     | 96,300                | 77,658            | 18,642               |
| Insurance                                 | 31,500                | 29,778            | 1,722                |
| Landscape maintenance and repairs         | 468,379               | 478,942           | (10,563)             |
| Legal                                     | 160,000               | 118,474           | 41,526               |
| Major repairs and replacement             | 90,050                | 80,477            | 9,573                |
| Office, dues & other                      | 10,000                | 6,699             | 3,301                |
| Utilities                                 | 120,000               | 122,183           | (2,183)              |
| Total expenditures                        | <u>1,508,464</u>      | <u>1,426,126</u>  | <u>82,338</u>        |
| <b>EXCESS OF REVENUES OVER</b>            |                       |                   |                      |
| <b>(UNDER) EXPENDITURES</b>               | <u>(90,049)</u>       | <u>(80,477)</u>   | <u>9,572</u>         |
| <b>FUND BALANCES - BEGINNING OF YEAR</b>  | 1,043,673             | 1,068,672         | 24,999               |
| <b>FUND BALANCES - END OF YEAR</b>        | <u>\$ 953,624</u>     | <u>\$ 988,195</u> | <u>\$ 34,571</u>     |

See accompanying Independent Auditor's Report

SUPPLEMENTAL INFORMATION

**CENTERRA METROPOLITAN DISTRICT NO. 1**  
**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> | <b>Variance with</b> |
|--|-----------------------|----------------------|-----------------------|----------------------|
|  | <u>Original</u>       | <u>Final</u>         |                       | <b>Final Budget</b>  |
|  |                       |                      |                       | <b>Positive</b>      |
|  |                       |                      |                       | <b>(Negative)</b>    |
| <b>REVENUES</b>  |                       |                      |                       |                      |
| Service fees, District 2   | \$ 23,825             | \$ 23,825            | \$ 24,662             | \$ 837               |
| Net investment and other income  | 15,153                | 15,153               | 11,246                | (3,907)              |
| LURA revenues (Debt Service)   | 10,217,413            | 10,217,414           | 10,170,848            | (46,566)             |
| PIF revenues   | 1,205,735             | 2,035,155            | 1,165,274             | (869,881)            |
| Total revenues   | <u>11,462,126</u>     | <u>12,291,547</u>    | <u>11,372,030</u>     | <u>(919,517)</u>     |
| <b>EXPENDITURES</b>  |                       |                      |                       |                      |
| Debt service   |                       |                      |                       |                      |
| Paying agent/trustee/banking fees  | 5,500                 | 5,500                | 2,750                 | 2,750                |
| Principal payment  | 4,417,500             | 140,345,000          | 4,417,500             | 135,927,500          |
| Interest expense   | 6,791,742             | 7,398,974            | 6,622,147             | 776,827              |
| Loan fees  | 187,468               | 446,510              | 187,934               | 258,576              |
| City of Loveland collection fees   | 59,916                | 59,916               | 58,882                | 1,034                |
| Total expenditures   | <u>11,462,126</u>     | <u>148,255,900</u>   | <u>11,289,213</u>     | <u>136,966,687</u>   |
| <b>OTHER FINANCING SOURCES (USES)</b>  |                       |                      |                       |                      |
| Transfer from other fund   | -                     | 135,927,500          | -                     | (135,927,500)        |
| Total other financing sources (uses)   | <u>-</u>              | <u>135,927,500</u>   | <u>-</u>              | <u>(135,927,500)</u> |
| <b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b> |                       |                      |                       |                      |
|  | <u>-</u>              | <u>(36,853)</u>      | <u>82,817</u>         | <u>119,670</u>       |
| <b>FUND BALANCES - BEGINNING OF YEAR</b>   | 10,101,853            | 10,101,853           | 10,101,854            | 1                    |
| <b>FUND BALANCES - END OF YEAR</b>   | <u>\$ 10,101,853</u>  | <u>\$ 10,065,000</u> | <u>\$ 10,184,671</u>  | <u>\$ 119,671</u>    |

See accompanying Independent Auditor's Report

**CENTERRA METROPOLITAN DISTRICT NO. 1**  
**CAPITAL PROJECTS FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - BUDGET AND ACTUAL**  
**Year Ended December 31, 2016**

|  | <u>Budget Amounts</u> |                      | <u>Actual<br/>Amounts</u> | <u>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</u> |
|--|-----------------------|----------------------|---------------------------|---|
|  | <u>Original</u>       | <u>Final</u>         |                           |   |
| <b>REVENUES</b>  |                       |                      |                           |   |
| Net investment and other income  | \$ 7,577              | \$ 7,577             | \$ 61,329                 | \$ 53,752   |
| Debt proceeds  | 11,500,000            | 162,927,500          | -                         | (162,927,500)   |
| Total revenues   | <u>11,507,577</u>     | <u>162,935,077</u>   | <u>61,329</u>             | <u>(162,873,748)</u>  |
| <b>EXPENDITURES</b>  |                       |                      |                           |   |
| Current  |                       |                      |                           |   |
| Project management   | 25,000                | -                    | -                         | -   |
| District management  | 15,000                | 15,000               | 16,156                    | (1,156)   |
| District master planning   | 25,000                | 25,000               | -                         | 25,000  |
| Engineering & other professional services  | -                     | 26,950               | 8,192                     | 18,758  |
| Major repairs and replacement  | -                     | -                    | 401,464                   | (401,464)   |
| Debt issuance  | 50,000                | 3,146,855            | 148,087                   | 2,998,768   |
| Capital outlay   | 1,631,234             | 9,062,621            | 5,035,619                 | 4,027,002   |
| Total expenditures   | <u>1,746,234</u>      | <u>12,276,426</u>    | <u>5,609,518</u>          | <u>6,666,908</u>  |
| <b>OTHER FINANCING SOURCES (USES)</b>  |                       |                      |                           |   |
| Capital advance  | -                     | -                    | 288,270                   | 288,270   |
| Capital reimbursement  | -                     | -                    | 19,645                    | 19,645  |
| Transfer to other fund   | -                     | (135,927,500)        | -                         | 135,927,500   |
| Total other financing sources (uses)   | <u>-</u>              | <u>(135,927,500)</u> | <u>307,915</u>            | <u>136,235,415</u>  |
| <b>EXCESS OF REVENUES AND OTHER<br/>FINANCING SOURCES OVER (UNDER)<br/>EXPENDITURES AND OTHER USES</b> |                       |                      |                           |   |
|  | <u>9,761,343</u>      | <u>14,731,151</u>    | <u>(5,240,274)</u>        | <u>(19,971,425)</u>   |
| <b>FUND BALANCES - BEGINNING OF YEAR</b>   | <u>7,577,093</u>      | <u>19,180,686</u>    | <u>18,897,983</u>         | <u>(282,703)</u>  |
| <b>FUND BALANCES - END OF YEAR</b>   | <u>\$ 17,338,436</u>  | <u>\$ 33,911,837</u> | <u>\$ 13,657,709</u>      | <u>\$ (20,254,128)</u>  |

See accompanying Independent Auditor's Report