

CORNERSTAR METROPOLITAN DISTRICT
Arapahoe County, Colorado

FINANCIAL STATEMENTS
December 31, 2016



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Certified Public Accountants and Business Consultants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Cornerstar Metropolitan District
Arapahoe County, Colorado

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Cornerstar Metropolitan District, as of December 31, 2016, and the respective changes in financial position thereof, and the budgetary comparisons for the general fund and special revenue fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

I

Barnes Griggs & Associates, PC

Other Matters

Required Supplementary Information

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

Other Information

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

Danner Gigg & Associates, PC

Lakewood, Colorado
June 20, 2017

BASIC FINANCIAL STATEMENTS

**CORNERSTAR METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
December 31, 2016**

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 72,221
Cash and investments - Restricted	1,157,956
Accounts receivable	316,102
Prepaid expenditures	7,580
Due from County Treasurer	16,014
Property taxes receivable	2,481,108
Capital assets, not being depreciated	
Land	1,222,504
Capital assets, being depreciated	<u>25,991,819</u>
Total assets	<u>31,265,304</u>
LIABILITIES	
Accounts payable	46,686
Accrued interest payable	104,230
Noncurrent liabilities	
Due in one year	1,000,000
Due in more than one year	<u>37,673,016</u>
Total liabilities	<u>38,823,932</u>
DEFERRED INFLOWS OF RESOURCES	
Property tax revenue	<u>2,481,108</u>
Total deferred inflows of resources	<u>2,481,108</u>
NET POSITION	
Net investment in capital assets	(3,142,921)
Restricted for:	
Emergency reserves	15,500
Aurora Regional Improvements	69
Debt service	759,467
Unrestricted	<u>(7,671,851)</u>
Total net position	<u><u>\$ (10,039,736)</u></u>

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

**CORNERSTAR METROPOLITAN DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2016**

	General	Special Revenue	Debt Service	Total Governmental Funds
ASSETS				
Cash and investments	\$ 72,221	\$ -	\$ -	\$ 72,221
Cash and investments - Restricted	15,500	40	1,142,416	1,157,956
Accounts receivable	-	-	316,102	316,102
Receivable from County Treasurer	3,314	29	12,671	16,014
Property taxes receivable	470,940	39,415	1,970,753	2,481,108
Prepaid expenditures	7,580	-	-	7,580
TOTAL ASSETS	\$ 569,555	\$ 39,484	\$ 3,441,942	\$ 4,050,981
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE				
LIABILITIES				
Accounts payable	\$ 46,686	\$ -	\$ -	\$ 46,686
Total liabilities	46,686	-	-	46,686
DEFERRED INFLOWS OF RESOURCES				
Property tax revenue	470,940	39,415	1,970,753	2,481,108
Total deferred inflows of resources	470,940	39,415	1,970,753	2,481,108
FUND BALANCES				
Nonspendable:				
Prepaid expenditures	7,580	-	-	7,580
Restricted for:				
Emergency reserves	15,500	-	-	15,500
Aurora Regional Improvements	-	69	-	69
Debt service	-	-	1,471,189	1,471,189
Unassigned	28,849	-	-	28,849
Total fund balances (deficit)	51,929	69	1,471,189	1,523,187
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 569,555	\$ 39,484	\$ 3,441,942	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	27,214,323
Capital assets, net	
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	
Loan payable	(30,840,675)
Accrued loan interest payable	(104,230)
Bond payable	(5,000,000)
Accrued bond interest payable	(1,327,031)
Developer advance payable	(1,090,489)
Developer advance interest payable	(414,821)
Net position of governmental activities	\$ (10,039,736)

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

**CORNERSTAR METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended December 31, 2016**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
REVENUES				
Property taxes	\$ 472,916	\$ 39,586	\$ 1,979,302	\$ 2,491,804
Specific ownership taxes	39,863	-	153,796	193,659
Sales taxes	-	-	1,154,398	1,154,398
Net investment income	1,234	219	3,716	5,169
Other income	1,089	-	-	1,089
Total revenues	<u>515,102</u>	<u>39,805</u>	<u>3,291,212</u>	<u>3,846,119</u>
EXPENDITURES				
Current				
Accounting	55,607	-	-	55,607
Audit	5,600	-	-	5,600
Banking fees	70	-	-	70
County Treasurer's fee	7,096	594	29,698	37,388
Director's fees	1,400	-	-	1,400
District management	25,394	-	-	25,394
Dues and memberships	1,238	-	-	1,238
Election	2,417	-	-	2,417
Insurance	7,658	-	-	7,658
Legal	28,704	-	-	28,704
Refinancing costs	9,047	-	-	9,047
Repairs and maintenance	250,240	-	-	250,240
Repayment of developer advance	-	39,066	-	39,066
Miscellaneous	1,042	-	-	1,042
Payroll taxes	107	-	-	107
Debt service				
Loan principal	-	-	885,000	885,000
Loan principal - additional payment	-	-	1,454,148	1,454,148
Interest expense - Loan	-	-	1,330,621	1,330,621
Paying agent fees	-	-	3,000	3,000
Total expenditures	<u>395,620</u>	<u>39,660</u>	<u>3,702,467</u>	<u>4,137,747</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>119,482</u>	<u>145</u>	<u>(411,255)</u>	<u>(291,628)</u>
NET CHANGE IN FUND BALANCES	119,482	145	(411,255)	(291,628)
FUND BALANCES - BEGINNING OF YEAR	<u>(67,553)</u>	<u>(76)</u>	<u>1,882,444</u>	<u>1,814,815</u>
FUND BALANCES - END OF YEAR	<u>\$ 51,929</u>	<u>\$ 69</u>	<u>\$ 1,471,189</u>	<u>\$ 1,523,187</u>

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

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

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

Net change in fund balances - Total governmental funds	\$ (291,628)
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Governmental funds report capital outlays as expenditures. In the statement of activities capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense the allocation of the cost of any depreciable asset over the estimated useful life of the asset.

Depreciation	(1,139,319)
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The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Current year loan principal payment	885,000
Current year loan principal payment - additional	1,454,148
Change in accrued interest on loan payable	7,906
Current year accrued interest on bond payable	(413,918)
Current year accrued interest on Developer advance	(90,517)
Repayment of developer advance - principal	39,066

Changes in net position of governmental activities	\$ 450,738
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These financial statements should be read only in connection with
the accompanying notes to financial statements.

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

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property taxes	\$ 479,865	\$ 472,916	\$ (6,949)
Specific ownership taxes	41,600	39,863	(1,737)
Net investment income	200	1,234	1,034
Other income	-	1,089	1,089
Total revenues	<u>521,665</u>	<u>515,102</u>	<u>(6,563)</u>
EXPENDITURES			
Accounting	38,000	55,607	(17,607)
Audit	6,000	5,600	400
Banking fees	-	70	(70)
County Treasurer's fee	7,198	7,096	102
Director's fees	-	1,400	(1,400)
District management	20,000	25,394	(5,394)
Dues and memberships	1,650	1,238	412
Election	2,500	2,417	83
Insurance	9,000	7,658	1,342
Legal	38,000	28,704	9,296
Repairs and maintenance	322,125	250,240	71,885
Miscellaneous	1,000	1,042	(42)
Contingency	3,090	-	3,090
Land - Tree farm	2,426,437	-	2,426,437
Payroll taxes	-	107	(107)
Refinancing costs	-	9,047	(9,047)
Total expenditures	<u>2,875,000</u>	<u>395,620</u>	<u>2,479,380</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2,353,335)</u>	<u>119,482</u>	<u>2,472,817</u>
OTHER FINANCING SOURCES (USES)			
Land and water right contribution	2,426,437	-	(2,426,437)
Total other financing sources (uses)	<u>2,426,437</u>	<u>-</u>	<u>(2,426,437)</u>
NET CHANGE IN FUND BALANCES	73,102	119,482	46,380
FUND BALANCES - BEGINNING OF YEAR	<u>(56,435)</u>	<u>(67,553)</u>	<u>(11,118)</u>
FUND BALANCES - END OF YEAR	<u>\$ 16,667</u>	<u>\$ 51,929</u>	<u>\$ 35,262</u>

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

**CORNERSTAR METROPOLITAN DISTRICT
SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2016**

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Property taxes	\$ 40,124	\$ 39,586	\$ (538)
Net investment income	10	219	209
Total revenues	<u>40,134</u>	<u>39,805</u>	<u>(329)</u>
EXPENDITURES			
County Treasurer's fees	601	594	7
Repayment of developer advance	39,434	39,066	368
Total expenditures	<u>40,035</u>	<u>39,660</u>	<u>375</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>99</u>	<u>145</u>	<u>46</u>
NET CHANGE IN FUND BALANCES	99	145	46
FUND BALANCES - BEGINNING OF YEAR	<u>(99)</u>	<u>(76)</u>	<u>23</u>
FUND BALANCES - END OF YEAR	<u>\$ -</u>	<u>\$ 69</u>	<u>\$ 69</u>

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

**CORNERSTAR METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 1 - DEFINITION OF REPORTING ENTITY

Cornerstar Metropolitan District (District), a quasi-municipal corporation and political subdivision of the State of Colorado, was organized by Court Order in August 2006, 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 entirely within the City of Aurora, Arapahoe County, Colorado. The District was established to provide financing for the design, acquisition, installation and construction of water, sanitation, streets, safety protection, park and recreation facilities, public transportation, fire protection, television relay, security and mosquito control. The District also provides the funding for infrastructure improvements and the tax base needed to support ongoing operations.

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.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Government-wide and Fund Financial Statements

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

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

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are

CORNERSTAR METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes, specific ownership taxes, and City of Aurora sales taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. The District determined that Developer advances are not considered as revenue susceptible to accrual. Expenditures, other than interest on long-term obligations are recorded when the liability is incurred or the long-term obligation is due.

The District reports the following major governmental funds:

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

The Special Revenue Fund is used to account for revenues earned and expenditures incurred in connection with Aurora Regional Improvements.

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

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 and other financing uses level and lapses at year-end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

CORNERSTAR METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pooled Cash and Investments

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a single bank account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash and investments.

Investments are carried at fair value.

Property Taxes

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

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

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported 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 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 net investment in capital assets 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.

**CORNERSTAR METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Parks and recreation	30 years
Streets, streetscape and storm drainage	30 years
System to transport	30 years

Deferred Outflows/Inflows of Resources

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

Equity

Net Position

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

Fund Balance

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

- *Nonspendable fund balance* – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.
- *Restricted fund balance* – The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.

**CORNERSTAR METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- *Committed fund balance* – The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.
- *Assigned fund balance* – The portion of fund balance that is constrained by the government’s intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.
- *Unassigned fund balance* – The residual portion of fund balance that does not meet any of the criteria described above.

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

NOTE 3 - 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	\$ 72,221
Cash and investments - Restricted	<u>1,157,956</u>
Total cash and investments	<u>\$ 1,230,177</u>

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

Deposits with financial institutions	\$ 1,138,756
Investments	<u>91,421</u>
Total cash and investments	<u>\$ 1,230,177</u>

Deposits with Financial Institutions

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

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

**CORNERSTAR METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

As of December 31, 2016, the District's cash deposits had a bank balance of \$1,220,216 and a carrying balance of \$1,138,756.

Investments

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

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

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

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

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

Fair Value Measurement and Application

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

**CORNERSTAR METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

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

Investment	Maturity	Amortized Cost
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted average under 60 days	<u>\$ 91,421</u>

CSAFE

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

**CORNERSTAR METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 4 - CAPITAL ASSETS

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

	<u>Balance at December 31, 2015</u>	<u>Additions</u>	<u>Transfers and Retirements</u>	<u>Balance at December 31, 2016</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,222,504	\$ -	\$ -	\$ 1,222,504
Total capital assets, not being depreciated	<u>1,222,504</u>	<u>-</u>	<u>-</u>	<u>1,222,504</u>
Capital assets, being depreciated:				
Park and recreation	404,674	-	-	404,674
Streets, streetscape and storm drainage	33,320,130	-	-	33,320,130
System to transport	454,780	-	-	454,780
Total capital assets, being depreciated	<u>34,179,584</u>	<u>-</u>	<u>-</u>	<u>34,179,584</u>
Less accumulated depreciation for:				
Park and recreation	44,966	13,489	-	58,455
Streets, streetscape and storm drainage	6,903,241	1,110,671	-	8,013,912
System to transport	100,239	15,159	-	115,398
Total accumulated depreciation	<u>7,048,446</u>	<u>1,139,319</u>	<u>-</u>	<u>8,187,765</u>
Total capital assets, being depreciated, net	<u>27,131,138</u>	<u>(1,139,319)</u>	<u>-</u>	<u>25,991,819</u>
Governmental activities - Capital assets, net	<u>\$ 28,353,642</u>	<u>\$(1,139,319)</u>	<u>\$ -</u>	<u>\$ 27,214,323</u>

Depreciation expense was charged to the public works - general government function/program of the District for the year ended December 31, 2016, in the amount of \$1,139,319.

**CORNERSTAR METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 5 - LONG-TERM OBLIGATIONS

The District's outstanding long-term obligations at December 31, 2016, were as follows:

	Balance at December 31, 2015	Additions	Reductions	Balance at December 31, 2016	Due Within One Year
2012 Refunding Loan Agreement	\$ 33,179,823	\$ -	\$ 2,339,148	\$ 30,840,675	\$ 1,000,000
2013 Taxable Subordinate Limited Tax Bonds	5,000,000	-	-	5,000,000	-
Accrued interest on subordinate bond	913,113	413,918	-	1,327,031	-
Developer advances - ARI Funded	1,129,555	-	39,066	1,090,489	-
Developer advance interest	324,304	90,517	-	414,821	-
	<u>\$ 40,546,795</u>	<u>\$ 504,435</u>	<u>\$ 2,378,214</u>	<u>\$ 38,673,016</u>	<u>\$ 1,000,000</u>

The detail of the District's long-term obligations is as follows:

2012 Refunding Loan Agreement

On November 1, 2012, the District refunded the Series 2007 Special Revenue Variable Rate Bonds in the amount of \$36,095,000 by entering into a loan agreement with Compass Mortgage Company and Vectra Bank Colorado, National Association (the Lenders) in the original principal amount of \$35,595,000. Loan proceeds were also transferred by the loan resolution to pay loan issue costs and to establish a reserve account. The lenders are both "accredited investors" and the loan agreement is exempt from registration under the Colorado Municipal Bond Supervision Act.

The Lenders have the right to require the District to pay on each Put Date, in whole but not in part, the entire principal due on the loan together with accrued interest. The Put Dates are as follows:

- December 1, 2017
- December 1, 2018
- December 1, 2019
- December 1, 2020
- December 1, 2021

Interest payments are due semi-annually on June 1 and December 1 each year, commencing on December 1, 2012, and maturing on December 1, 2022. From December 1, 2012, to December 1, 2017, the interest rate is fixed at 4.00%. Commencing on December 2, 2017, interest rates for the current year will be computed by the Lenders no later than January 15 of each following year. Interest will be calculated on the basis of a 360-day year and the actual number of days elapsed in the applicable payment period. Lenders will use 2.5% plus the product of the One-Year LIBOR Rate as of the applicable Rate Determination Date times 0.75 to compute the indexed fixed rate for the period.

**CORNERSTAR METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

The loan is secured and payable from the Pledged Revenue consisting of monies derived by the District from the following sources, net of any collection costs: 1) TIF revenues, 2) property tax revenues, and 3) specific ownership tax revenues associated with the imposition of the Required Mill Levy. The loan is also secured by amounts held by the Custodian in the Reserve Fund and all other funds and accounts established under the Custodial Agreement. Required Mill Levy means an ad valorem mill levy imposed upon all taxable property in the District each year in an amount sufficient to pay the principal and interest on the loan as the same become due and payable. The maximum Required Mill Levy is 50.000 mills, adjusted for changes in the ratio of actual value to assessed value of property within the District. The Required Mill Levy can be no less than 50.000 mills until the District's debt to assessed ratio is 50% or less. As of December 31, 2016, the adjusted maximum mill levy is 50 mills. The maximum term-out mill levy is 75.000 mills.

The loan agreement calls for an additional payment of principal once the reserve has been fully funded. After the reserve is fully funded and all current year debt payments have been made, all funds on hand with the trustee as of December 1, of each year, will be paid to the bond holder as an additional payment on the loan principal.

The District's 2012 Refunding Loan Agreement will mature as follows:

	Governmental Activities		
	Principal	Interest	Total
2017	\$ 1,000,000	\$ 1,250,761	\$ 2,250,761
2018	1,100,000	1,210,205	2,310,205
2019	1,195,000	1,165,594	2,360,594
2020	1,355,000	1,117,130	2,472,130
2021	1,535,000	1,062,177	2,597,177
2022	24,655,675	999,925	25,655,600
	\$ 30,840,675	\$ 6,805,792	\$ 37,646,467

2013 Taxable Subordinate Limited Tax Bonds

On July 11, 2013, the District issued Series 2013 Taxable Subordinate Limited Tax Bonds in the amount of \$5,000,000. The bonds shall mature on December 15, 2047, and shall bear interest at a rate of 7.00% per annum, calculated on the basis of a 360 day year comprised of twelve 30 day months, payable to the extent of Subordinate Pledged Revenue available on each interest payment date, commencing on December 15, 2013. Interest not paid when due shall compound annually on each interest payment date.

Payment of the bonds is fully subordinate and junior to the payment of the Senior Loan. For so long as the Senior Loan is outstanding and the Senior Loan Agreement is in effect, no payment of principal or interest on the Bonds shall be made until such time as the following conditions, as set forth in the Senior Loan Agreement, are satisfied:

- A) The District's Debt to Assessed Ratio is less than or equal to 50% and, as a result, the Required Mill Levy is the levy described in paragraph (b) of Article 1 of the Loan Agreement;

**CORNERSTAR METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

B) The TIF Funding Obligation has been fully paid and satisfied; and

C) There is no Default or Event of Default which has occurred and is then continuing.

The Subordinate Pledged Revenues are monies derived by the District for imposition of the Subordinate Required Mill Levy, net of costs of collection, and any other legally available monies of the District not pledged to the Senior Loan which the District determines, in its absolute discretion, to transfer to the Trustee for application as Subordinate Pledged Revenue. The Subordinate Required Mill Levy is 50.000 mills less the number of mills necessary to pay the Senior Loans when due after taking into account all other Senior Pledged Revenue other than ad valorem tax revenue legally available for payment of the Senior Loan.

Authorized Debt

On November 7, 2006, a majority of the qualified electors of the District who voted in the election authorized the issuance of indebtedness in an amount not to exceed \$600,000,000 at an interest rate not to exceed 18% per annum.

	Authorized November 7, 2006 Election	Authorization Used 2007 Bonds	Authorization Used 2013 Bonds	Remaining at December 31, 2016
Streets	\$ 60,000,000	\$ 23,332,200	\$ 5,000,000	\$ 31,667,800
Sanitation	60,000,000	7,988,300	-	52,011,700
Parks and recreation facilities	60,000,000	3,211,600	-	56,788,400
Traffic and safety	60,000,000	-	-	60,000,000
Public transportation	60,000,000	-	-	60,000,000
Water	60,000,000	2,467,900	-	57,532,100
Fire protection	60,000,000	-	-	60,000,000
Mosquito	60,000,000	-	-	60,000,000
Television relay	60,000,000	-	-	60,000,000
Security	60,000,000	-	-	60,000,000
	<u>\$ 600,000,000</u>	<u>\$ 37,000,000</u>	<u>\$ 5,000,000</u>	<u>\$ 558,000,000</u>

Per the Service Plan, the District is limited to issuing \$60,000,000 in debt. In addition, the maximum debt service mill levy for the District is 50.000 mills, as adjusted for changes in the ratio of actual value to assessed value of property within the District.

In the future, the District may issue a portion or all of the remaining authorized but unissued general obligation debt for purposes of providing public improvements to support development as it occurs within the District's service area.

**CORNERSTAR METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

Advances

Advance and Reimbursement Agreement

On November 29, 2007, the District entered into an Advance and Reimbursement Agreement for construction, maintenance and operation costs with the Developer. Under the terms of this agreement the Developer agreed to provide advances to the District for the purpose of funding construction, operations and maintenance costs of the District. On August 10, 2012, the District adopted a Resolution Regarding Reimbursement of Funds Advanced for and on behalf of the District recognizing certain advances. On June 24, 2013, the District entered into a Termination, Acknowledgement and Release Agreement, where the Developer has agreed to forgive all remaining amounts due pursuant to the Reimbursement Agreement and Reimbursement Resolution, exclusive of the \$1,291,897 Regional Improvement Costs and associated interest of 8% per annum, and to terminate the Reimbursement Agreement, in return for the proceeds received by the Developer from the issuance by the District of the 2013 Bonds and other bonds previously issued. It is the intent of the Parties that upon issuance of the 2013 Bonds, the only remaining liability of the District under the Reimbursement Agreement and the Reimbursement Resolution shall be to reimburse the Developer for Regional Improvement Costs from funds available from the District's imposition of the ARI mill levy. As of December 31, 2016, the obligation under this agreement is \$1,090,489 plus accrued interest of \$414,821.

NOTE 6 - NET POSITION

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

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

	Governmental Activities
Net investment in capital assets:	
Capital assets, net	\$ 27,214,323
Current portion of outstanding long-term obligations	(838,925)
Noncurrent portion of outstanding long-term obligations	(30,034,089)
Reserve fund and unspent loan proceeds	515,770
Net investment in capital assets	\$ (3,142,921)

**CORNERSTAR METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 6 - NET POSITION (CONTINUED)

Restricted assets include net position 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:

	<u>Governmental Activities</u>
Restricted net position:	
Emergency reserves	\$ 15,500
Aurora Regional Improvements	69
Debt service	<u>759,467</u>
Total restricted net position	<u><u>\$ 775,036</u></u>

The District has a deficit in unrestricted net position. This deficit amount is a result of the District being responsible for the repayment of bonds issued for public improvements which were conveyed to other governmental entities and which costs were removed from the District's financial records.

NOTE 7 - RELATED PARTY

During 2016, the members of the Board of Directors were employed by DDR Corporation, which is the property manager for the District and the Cornerstar Shopping Center. DDR Corporation also indirectly holds a small percentage of the ownership of Cornerstar Shopping Center. Conflicts of interest in dealing with the District may have existed as a result of these relationships.

On October 22, 2015, the District entered into a Management Agreement with DDR, Corp. (the Manager) to provide management, oversight, and bidding of all maintenance contracts necessary to maintain the District Maintained Property in good condition, order and repair. Under the terms of this agreement, the Manager shall perform services, including road maintenance, landscape maintenance, and detention pond maintenance. The District agreed to reimburse the Manager for all expenses incurred in connection with the provision of services, provided that anticipated costs are approved by the District in the annual budget. The District agreed to pay the Manager a management fee of 5% of the District's annual operations and maintenance budget which will be pro-rated and paid in twelve equal monthly installments. For the year ended December 31, 2016, the District recorded \$67,671 in maintenance and operation expense reimbursements and \$13,633 in management fees as expenditures to DDR Corp.

**CORNERSTAR METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 8 - AGREEMENTS

Aurora Regional Improvement Authority Establishment Agreement

In November 2008, the District entered into the Aurora Regional Improvement Authority No. 5 Establishment Agreement (IGA) between the District and other, unrelated metropolitan districts, to form the Aurora Regional Improvement Authority (the Authority). Pursuant to the Service Plan, the District is required to impose the Aurora Regional Improvement (ARI) Mill Levy upon the taxable property within the District. This mill levy is 1.000 mill for the first twenty years of the District, which for this purpose begins the first year that the District certifies a debt service mill levy. The levy increases to 5.000 mills for year twenty-one through forty or the date of repayment for the debt incurred for public improvement other than regional improvements, whichever occurs first. For the ten years subsequent to the period where the 5.000 mills is imposed, the ARI mill levy is the average of the debt service mill levy for the previous 10 years.

As of December 31, 2016, the District has collected \$201,277, net of collection costs, under the ARI mill levy. The agreement was amended on July 24, 2008, to allow additional members to become parties to the agreements as is deemed necessary by the Authority.

On November 12, 2012, the District entered into a Project Committee Agreement with the members of the Authority for the purpose of exercising certain functions, services, or financing facilities and other improvements as permitted in accordance with the provisions of the Agreement. This Agreement authorized the approval of an ARI Master Plan in which the District is authorized to use revenues from its ARI Mill Levy for Regional Improvements totaling \$1,291,897, as such revenues are available.

Public Finance and Redevelopment Agreement

On November 26, 2007, the District entered into an agreement with the Aurora Urban Renewal Authority (Authority), City of Aurora, Colorado, and PCCP CS Alberta Cornerstar Colorado, LLC for funding of the public improvements. The Authority has pledged a portion of the sales tax revenue collected within the District to the payment of the principal and interest on the bonded debt for the public improvements. The maximum amount payable under the agreement is \$17,500,000 (plus 7% interest), and the sharing agreement terminates September 30, 2023.

NOTE 9 - RISK MANAGEMENT

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

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

**CORNERSTAR METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 10 - TAX, SPENDING AND DEBT LIMITATIONS

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

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

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

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.

On November 7, 2006, District voters passed an election question to increase property taxes \$5,000,000 annually to pay the District's operational and maintenance costs, without regard to any limitations under TABOR.

NOTE 11 - SUBSEQUENT EVENT

On April 4, 2017 the District issued General Obligation Refunding Bonds Series 2017A and 2017B, in the respective amounts of \$32,745,000 and \$5,220,000. The proceeds from the sale of the 2017A Bonds were used to (i) prepay the District's Special Revenue Refunding Loan 2012, (ii) fund the 2017A Reserve Fund, and (iii) pay the costs of issuance. The Special Revenue Refunding Loan 2012 will be paid in full on the next interest payment due date of June 1, 2017. Bond proceeds in an amount sufficient to pay the June 1, 2017 payoff have been escrowed. The proceeds from the sale of the 2017B bonds were used to (i) purchase the cancellation of the District's Taxable Subordinate Limited Tax Bonds, Series 2013; (ii) fund the 2017B Reserve Fund, and (iii) pay the costs of issuance. As part of the Tender and Purchase Agreement dated December 16, 2016, the bond holder of the Taxable Subordinate Limited Tax Bonds Series 2013 agreed to accept \$4,750,000 in full settlement of the bond and forgave all accrued interest.

The 2017A Bonds bear interest at rates ranging from 3.50% to 5.25%, payable semi-annually on June 1 and December 1, beginning on June 1, 2017. Annual mandatory sinking fund principal payments are due on December 1, beginning on December 1, 2017. The 2017A Bonds mature on December 1, 2047.

The 2017B Bonds bear interest at 5.25% payable semi-annually on June 1 and December 1, beginning on June 1, 2017. Annual mandatory sinking fund principal payments are due on December 1, beginning December 1, 2020. The 2017B Bonds mature on December 1, 2047.

CORNERSTAR METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 11 - SUBSEQUENT EVENT (CONTINUED)

The 2017A Bonds are secured by and payable solely from 2017A Pledged Revenue, net of any costs of collection, consisting of the following:

- (a) TIF Revenues;
- (b) Property taxes derived from the 2017A Required Mill Levy;
- (c) Specific Ownership Tax revenues attributable to the 2017A Required Mill Levy;
- (d) Any other legally available moneys which the District determines, in its absolute discretion, to credit to the 2017A Bond Fund.

TIF Revenues mean the Pledged Sales Tax Revenue, and any interest earned on such Pledged Revenue as defined in the Public Finance Agreement. TIF Revenues are pledged to the 2017A Bonds, but are not pledged to the 2017B Bonds. Under the Public Finance Agreement, AURA is to transfer all TIF Revenues to the District until the expiration of the TIF Term. The District is to subsequently transfer the TIF Revenues to the Trustee for application to the payment of the 2017A Bonds.

The 2017A Bonds are further secured by the 2017A Reserve Fund of \$1,285,344, and by amounts, if any, accumulated in the 2017A Surplus Fund. Excess 2017A Pledged Revenue, if any, is to be accumulated in the 2017A Surplus Fund in accordance with the 2017A Indenture up to the 2017A Maximum Surplus Amount of \$850,000.

The 2017B Bonds are secured by and payable solely from 2017B Pledged Revenue, net of any costs of collection, consisting of the following:

- (a) Property taxes derived from the 2017B Required Mill Levy
- (b) Specific Ownership Tax revenues attributable to the 2017B Required Mill Levy;
- (c) Any other legally available moneys which the District determines, in its absolute discretion, to credit to the 2017B Bond Fund.

The 2017B Bonds are further secured by the 2017B Reserve Fund of \$234,638, and by amounts, if any, accumulated in the 2017B Surplus Fund. Excess 2017B Pledged Revenue, if any, is to be accumulated in the 2017B Surplus Fund in accordance with the 2017B Indenture up to the 2017B Maximum Surplus Amount of \$150,000.

Prior to the Conversion Date, 2017A Pledged Revenue that is not needed to pay debt service on the 2017A Bonds in any year will be deposited to and held in the 2017A Surplus Fund, up to the 2017A Maximum Surplus Amount. Prior to the Conversion Date, 2017B Pledged Revenue that is not needed to pay debt service on the 2017B Bonds in any year will be deposited to and held in the 2017B Surplus Fund, up to the 2017B Maximum Surplus Amount. On the Conversion Date, the 2017A Surplus Fund and the 2017B Surplus Fund will be terminated and any moneys therein may be applied to any legal purpose of the District.

CORNERSTAR METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 11 - SUBSEQUENT EVENT (CONTINUED)

The Conversion Date is the first date of which (a) the TIF Term has expired; (b) the Senior Debt to Assessed Value Ratio Test has been met; (c) no amounts of principal or interest on the 2017A Bonds are due but unpaid; and (d) no amount of principal or interest on the 2017B Bonds are due but unpaid. The Senior Debt to Assessed Value Ratio Test is met when the ratio derived by dividing the outstanding principal amount of all Senior Debt by the most recent final assessed valuation of the District Area is equal to or less than 50%. The current year Senior Debt to Assessed Ratio is calculated based on the outstanding debt at the end of the current year and the assessed valuation for the subsequent year. The Conversion Date, if it occurs, will occur simultaneously for the 2017A Bonds and the 2017B Bonds.

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

SUPPLEMENTARY INFORMATION

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

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Property taxes	\$ 2,006,207	\$ 1,979,302	\$ (26,905)
Specific ownership taxes	160,500	153,796	(6,704)
Sales taxes	1,050,000	1,154,398	104,398
Net investment income	1,000	3,716	2,716
Total revenues	<u>3,217,707</u>	<u>3,291,212</u>	<u>73,505</u>
EXPENDITURES			
Loan principal	885,000	885,000	-
Loan principal - additional payment	1,611,881	1,454,148	157,733
Interest expense - Loan	1,342,400	1,330,621	11,779
Paying agent/trustee fees	6,000	3,000	3,000
County Treasurer's fee	30,094	29,698	396
Contingency	5,506	-	5,506
Total expenditures	<u>3,880,881</u>	<u>3,702,467</u>	<u>178,414</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(663,174)	(411,255)	251,919
FUND BALANCES - BEGINNING OF YEAR	<u>1,663,174</u>	<u>1,882,444</u>	<u>219,270</u>
FUND BALANCES - END OF YEAR	<u>\$ 1,000,000</u>	<u>\$ 1,471,189</u>	<u>\$ 471,189</u>

CORNERSTAR METROPOLITAN DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
April 4, 2017

Year Ended December 31,	\$32,745,000			\$5,220,000			Total		
	General Obligation Refunding Bonds, Series 2017A Dated April 4, 2017 Interest Rate Varying from 3.50% to 5.25% Interest Payable June 1 and December 1, Principal Due December 1			General Obligation Refunding Bonds, Series 2017B Dated April 4, 2017 Interest Rate of 5.25% Interest Payable June 1 and December 1, Principal Due December 1			Principal Interest Total		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 975,000	\$ 1,061,275	\$ 2,036,275	\$ -	\$ 180,416	\$ 180,416	\$ 975,000	\$ 1,241,691	\$ 2,216,691
2018	700,000	1,577,938	2,277,938	-	274,050	274,050	700,000	1,851,988	2,551,988
2019	770,000	1,553,438	2,323,438	-	274,050	274,050	770,000	1,827,488	2,597,488
2020	900,000	1,526,488	2,426,488	10,000	274,050	284,050	910,000	1,800,538	2,710,538
2021	980,000	1,494,988	2,474,988	15,000	273,525	288,525	995,000	1,768,513	2,763,513
2022	1,110,000	1,460,688	2,570,688	30,000	272,738	302,738	1,140,000	1,733,426	2,873,426
2023	860,000	1,410,738	2,270,738	30,000	271,163	301,163	890,000	1,681,901	2,571,901
2024	215,000	1,372,038	1,587,038	45,000	269,588	314,588	260,000	1,641,626	1,901,626
2025	225,000	1,362,363	1,587,363	45,000	267,225	312,225	270,000	1,629,588	1,899,588
2026	305,000	1,352,238	1,657,238	60,000	264,863	324,863	365,000	1,617,101	1,982,101
2027	315,000	1,338,513	1,653,513	65,000	261,713	326,713	380,000	1,600,226	1,980,226
2028	405,000	1,324,337	1,729,337	80,000	258,300	338,300	485,000	1,582,637	2,067,637
2029	425,000	1,303,581	1,728,581	85,000	254,100	339,100	510,000	1,557,681	2,067,681
2030	520,000	1,281,800	1,801,800	105,000	249,637	354,637	625,000	1,531,437	2,156,437
2031	550,000	1,255,150	1,805,150	110,000	244,125	354,125	660,000	1,499,275	2,159,275
2032	655,000	1,226,962	1,881,962	130,000	238,350	368,350	785,000	1,465,312	2,250,312
2033	690,000	1,193,394	1,883,394	135,000	231,525	366,525	825,000	1,424,919	2,249,919
2034	805,000	1,158,031	1,963,031	160,000	224,437	384,437	965,000	1,382,468	2,347,468
2035	850,000	1,116,775	1,966,775	165,000	216,037	381,037	1,015,000	1,332,812	2,347,812
2036	980,000	1,073,212	2,053,212	190,000	207,375	397,375	1,170,000	1,280,587	2,450,587
2037	1,030,000	1,022,987	2,052,987	200,000	197,400	397,400	1,230,000	1,220,387	2,450,387
2038	1,175,000	970,200	2,145,200	230,000	186,900	416,900	1,405,000	1,157,100	2,562,100
2039	1,235,000	908,512	2,143,512	240,000	174,825	414,825	1,475,000	1,083,337	2,558,337
2040	1,395,000	843,675	2,238,675	270,000	162,225	432,225	1,665,000	1,005,900	2,670,900
2041	1,465,000	770,437	2,235,437	285,000	148,050	433,050	1,750,000	918,487	2,668,487
2042	1,645,000	693,525	2,338,525	320,000	133,087	453,087	1,965,000	826,612	2,791,612
2043	1,730,000	607,162	2,337,162	335,000	116,287	451,287	2,065,000	723,449	2,788,449
2044	1,925,000	516,337	2,441,337	370,000	98,700	468,700	2,295,000	615,037	2,910,037
2045	2,025,000	415,275	2,440,275	390,000	79,275	469,275	2,415,000	494,550	2,909,550
2046	2,240,000	308,962	2,548,962	430,000	58,800	488,800	2,670,000	367,762	3,037,762
2047	3,645,000	191,362	3,836,362	690,000	36,225	726,225	4,335,000	227,587	4,562,587
	<u>\$ 32,745,000</u>	<u>\$ 33,692,381</u>	<u>\$ 66,437,381</u>	<u>\$ 5,220,000</u>	<u>\$ 6,399,041</u>	<u>\$ 11,619,041</u>	<u>\$ 37,965,000</u>	<u>\$ 40,091,422</u>	<u>\$ 78,056,422</u>

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

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Prior Year Assessed Valuation for Current Year Property Tax Levy Debt Service	Mills Levied				Total Property Taxes		Percent Collected to Levied
			General	Debt Service	ARI	Total	Levied	Collected	
2012	\$24,721,910	\$ 3,234,400	9.000	50.000	1.000	60.000	\$ 1,648,269	\$ 1,626,481	98.7%
2013	\$25,132,370	\$ 3,234,400	9.000	50.000	1.000	60.000	\$ 1,672,896	\$ 1,656,093	99.0%
2014	\$24,228,980	\$ 3,896,720	9.000	50.000	1.000	60.000	\$ 1,652,470	\$ 1,623,416	98.2%
2015	\$23,536,901	\$ 4,108,310	9.000	50.000	1.000	60.000	\$ 1,621,738	\$ 1,593,557	98.3%
2016	\$34,276,081	\$ 5,848,057	14.000	50.000	1.000	65.000	\$ 2,526,196	\$ 2,491,804	98.6%
Estimated for year ending December 31, 2017	\$33,638,593	\$ 5,776,467	14.000	50.000	1.000	65.000	\$ 2,481,108		

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