

**DENVER WEST METROPOLITAN DISTRICT**

**FINANCIAL STATEMENTS**

**December 31, 2016**



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DENVER WEST METROPOLITAN DISTRICT

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**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
Denver West Metropolitan District  
Golden, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of the Denver West Metropolitan District (the "District"), as of December 31, 2016, and for the year then ended, 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**

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

**Auditor's Responsibility**

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

An audit involves performing procedures to obtain 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 the 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.

## Opinion

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 Denver West Metropolitan District, as of December 31, 2016, and the respective changes in net position for year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages III-VIII and the Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund on page 21 are presented to supplement the basic financial statements. Such information, although not part of the basic financial statement, 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 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 inquires of management about the methods of preparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge 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 Supplementary 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 Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Capital Projects Fund on page 23 and Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Debt Service Fund on page 24 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain limited 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 budgetary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Howard W. Masini CPA, P.C.  
Lakewood, CO  
June 29, 2017

# DENVER WEST METROPOLITAN DISTRICT

## Management's Discussion and Analysis – 2016

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements include: (1) combined government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The District also includes additional information in this report to supplement the basic financial statements. Comparative data is presented when available.

### Combined Government-Wide and Fund Financial Statements

The government-wide financial statements are designed to provide the reader 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 and deferred inflows, 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. Evaluation of the overall health of the District would extend to other non-financial factors such as diversification of taxpayer base or the condition of District infrastructure, in addition to the financial information provided within this report.

The *Statement of Activities* presents information showing how the District's net position changed during the calendar 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 the cash flows. Therefore, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

The government-wide financial statements distinguish functions of the District that will be principally supported by taxes and intergovernmental revenues. The function of the District is to provide drainage, streets, traffic and safety controls, fire protection, television relay, transportation, parks and recreation improvements, sanitation and pest control and other related improvements to all present and future residents within the Metropolitan Districts of Denver West Metropolitan District (District) and Lena Gulch Metropolitan District (Lena Gulch).

Lena Gulch Metropolitan District was formed in 1998 to work in conjunction with the District to provide more efficient administration of services necessary to support the growth in the Denver West area. Each District has the power to provide water, streets, traffic and safety controls, fire protection, television relay, transportation, parks and recreation improvements, sanitation and pest control and other related improvements for the benefit of taxpayers and service uses within the Districts' boundaries.

Lena Gulch is intended to serve as the "service district" while Denver West is intended to serve as the "financing district." Each District has a board of directors elected by the property owners.

The government-wide financial statements are combined with the fund financial statements and can be found within this report.

# DENVER WEST METROPOLITAN DISTRICT

## Management's Discussion and Analysis – 2016

### **Fund Financial Statements**

A fund is an accountability unit 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 laws and regulations. All of the District's funds are classified as major and are separately reported. The District maintains three governmental funds, the *General Fund*, *Capital Projects Fund* and *Debt Service Fund*.

### **Governmental Funds**

Governmental funds encompass essentially all the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements report on near-term fiscal accountability focusing on inflows and outflows of expendable resources, as well as 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.

The focus of governmental funds is narrower than that of the government-wide financial statements and the financial statement users will have a better understanding of 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 change in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District adopts an annual appropriated budget for all funds. A budgetary comparison statement has been provided for the general fund, debt service fund and capital projects fund to demonstrate compliance with adopted budgets.

### **Notes to the Financial Statements**

The accompanying notes provide additional information that is essential to a full understanding of the information provided in the government-wide and fund financial statement. The notes to the financial statements can be found within this report.

### **Government-wide Financial Analysis**

The net position may serve, over time, as a useful indicator of a District's financial position. As of December 31, 2016, the District's liabilities exceeded its assets resulting in a net deficit of \$36,558,219. The deficit decreased by the current year change in net position of \$955,602. District expenditures, net of transfers out to other districts, decreased by \$54,893 for the year ended December 31, 2016. District revenue increased \$140,436 due to an increase in property and ownership tax revenue. The District has planned for increases in net position to cover future debt service requirements.

The largest portion of the District's net position reflects its investment in capital assets, net of related debt used to acquire those assets, including deferred outflows of resources, deferred inflows of resources, and accrued interest.

**DENVER WEST METROPOLITAN DISTRICT**

**Management's Discussion and Analysis – 2016**

**Financial Efforts of 2016**

The table below shows a condensed version of the assets, deferred outflows, liabilities, deferred inflows, net position, revenues, expenses and transfer out for the years ended December 31<sup>st</sup>. Certain reclassifications of prior year information have been restated to conform to the current year presentation.

**Summary of District's Net Position for governmental activities as of December 31<sup>st</sup>:**

	<u>2016</u>	<u>2015</u>	<u>\$ Change</u>	<u>% Change</u>
<b>Assets</b>				
Current and Other Assets	\$ 9,302,444	\$ 9,069,294	\$ 233,150	2.6%
Capital Assets, net	11,163,186	11,532,883	(369,697)	-3.2%
Total Assets	20,465,630	20,602,177	(136,547)	-0.7%
<b>Deferred Outflows of Resources</b>	2,099,639	2,371,658	(272,019)	-11.5%
<b>Total Assets and Deferred Outflows of Resources</b>	<u>22,565,269</u>	<u>22,973,835</u>	<u>(408,566)</u>	<u>-1.8%</u>
<b>Liabilities</b>				
Current Liabilities and Other Liabilities	1,386,445	962,050	424,395	44.1%
Long Term Liabilities Outstanding	51,845,000	53,545,000	(1,700,000)	-3.2%
Total Liabilities	53,231,445	54,507,050	(1,275,605)	-2.3%
<b>Deferred Inflows of Resources</b>	5,892,043	5,980,606	(88,563)	-1.5%
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>59,123,488</u>	<u>60,487,656</u>	<u>(1,364,168)</u>	<u>-2.3%</u>
<b>Net Position</b>	(36,558,219)	(37,513,821)	955,602	2.5%
Net Investment in Capital Assets	(39,897,251)	(41,025,720)	1,128,469	2.8%
Restricted for Emergencies	41,664	20,482	21,182	103.4%
Restricted for Debt Service	1,738,012	1,806,011	(67,999)	-3.8%
Committed to Capital Projects	304	303	1	0.3%
Unrestricted	1,559,052	1,685,103	(126,051)	-7.5%
<b>Total Net Position (Deficit)</b>	<u>\$ (36,558,219)</u>	<u>\$ (37,513,821)</u>	<u>\$ 955,602</u>	<u>2.5%</u>

**DENVER WEST METROPOLITAN DISTRICT**

**Management's Discussion and Analysis – 2016**

**Summary of Changes in Net Position as of December 31<sup>st</sup>:**

	<u>2016</u>	<u>2015</u>	<u>\$ Change</u>	<u>% Change</u>
<b>General Revenues:</b>				
General Property Taxes	\$ 4,681,792	\$ 4,545,202	\$ 136,590	3.0%
Specific Ownership Taxes	383,710	377,778	5,932	1.6%
Interest	69,730	71,816	(2,086)	-2.9%
Total Revenues	<u>5,135,232</u>	<u>4,994,796</u>	<u>140,436</u>	<u>2.8%</u>
<b>Expenses:</b>				
Accounting and Auditing	22,123	23,333	(1,210)	-5.2%
Legal	-	-	-	-
Service Charges	4,184	4,180	4	0.1%
Debt Service-Interest	2,360,344	2,420,382	(60,038)	-2.5%
Treasurer's Fees	70,224	68,201	2,023	3.0%
Insurance	3,058	3,099	(41)	-1.3%
Depreciation and Amortization	506,778	502,409	4,369	0.9%
Total Expenses	<u>2,966,711</u>	<u>3,021,604</u>	<u>(54,893)</u>	<u>-1.8%</u>
Increase (Decrease) in Net Position before Transfers	<u>2,168,521</u>	<u>1,973,192</u>	<u>195,329</u>	<u>9.9%</u>
Transfers Out-Other Governmental Districts	(1,212,919)	(600,000)	612,919	102.2%
<b>Change in Net Position</b>	<u>\$ 955,602</u>	<u>\$ 1,373,192</u>	<u>\$ (417,590)</u>	<u>-30.4%</u>
<b>Beginning Net Position (Deficit)</b>	<u>\$ (37,513,821)</u>	<u>\$ (38,887,013)</u>	<u>\$ 1,373,192</u>	<u>-3.5%</u>
<b>Ending Net Position (Deficit)</b>	<u><u>\$ (36,558,219)</u></u>	<u><u>\$ (37,513,821)</u></u>	<u><u>\$ 955,602</u></u>	<u><u>-2.5%</u></u>

**Governmental Funds**

***General Fund***

The General Fund was established and continually funded to provide for the normal administrative and operating costs of the District. The General Fund transfers revenues to Lena Gulch to cover expenses of that District through intergovernmental agreements between the District and Lena Gulch Metropolitan District. The primary funding sources for the General Fund are the general ad valorem (real) property taxes and specific ownership taxes. The 2016 mill levy assessed for the General Fund was 6.930 mills, which generated \$895,200 of real property tax revenue. Other sources of income for the General Fund include interest income on reserve funds. The primary projects or program efforts for establishing funding during 2016 were:

- 1.) Normal operational costs of the District.
- 2.) An aggressive preventive maintenance program focused on maintaining peak performance for all District assets.

**DENVER WEST METROPOLITAN DISTRICT**

**Management’s Discussion and Analysis – 2016**

***Budgetary Highlights – General Fund***

The difference between the total budgeted expenditures of \$1,410,137 and the actual expenditures of \$1,388,789, is a favorable balance of \$21,348. This favorable difference is due to the District not incurring all of the operating expenditures originally anticipated at the time the budget was prepared.

**Capital Assets and Debt Administration**

***Debt Service Fund***

The Debt Service Fund was established and continually funded to provide for segregation and designation of funds for purposes of financing infrastructure projects. The primary funding sources for the Debt Service Fund are the general ad valorem (real) property taxes. The 2016 mill levy assessed for the Debt Service Fund was 28.070 mills, which generated \$3,786,592 of real property tax revenue. The real property tax revenue is deposited by the Jefferson County Treasurer into the Debt Service Fund as designated by the Board of Directors of the District.

***Budgetary Highlights – Debt Service Fund***

The difference between the original budgeted expenditures of \$3,857,587 and the actual expenditures of \$3,854,591, is a favorable balance of \$2,996. The variance between budgeted and actual expenditures was due to a difference in the actual amount of treasurer’s fees charged by the County for property tax collections, compared to what was originally anticipated at the time the budgeted was prepared.

***Capital Projects Fund***

The District’s investment in capital assets, net of accumulated depreciation at December 31, 2016 amounts to \$11,163,186. The investment in capital assets includes drainage, rights-of-way (land), safety signals, landscaping and land improvements, utilities, vehicles, and fiber optic cable.

Capital assets as of December 31, 2016 (net of accumulated depreciation) are classified as follows:

	<u>2016</u>
Drainage	\$ 6,291,537
Rights-of-Way (land)	3,053,766
Safety Signal	1,200,224
Landscape & Parks	505,479
Utilities	<u>112,180</u>
Total	\$ <u>11,163,186</u>

***Budgetary Highlights – Capital Projects Fund***

The difference between the budgeted expenditures of \$306 and the actual expenditures of \$0, is a favorable balance of \$307. This difference is due to the District anticipating capital expenditures at the origination of the budget that did not occur in 2016.

# DENVER WEST METROPOLITAN DISTRICT

## Management's Discussion and Analysis – 2016

### Long-term Debt

The District had long-term debt outstanding of \$53,545,000 at January 1, 2016. During 2016, the District made principal and interest payments on outstanding bonds of \$1,700,000 and \$2,093,791, respectively. As of December 31, 2016, the District has general obligation debt outstanding of \$51,845,000.

### Net Deficit

The District has a deficit net position of \$36,558,219 as of December 31, 2016. The District has incurred debt since inception which relates to the construction of roads, streets, and rights-of-ways within the District. Many of these assets have been conveyed, deeded or transferred to other local and state governmental entities. These entities assume the responsibility for continued maintenance of these improvements and therefore no longer belong to the District but still exist for the benefit, enjoyment and use of the taxpayers of the District. GASB 34 requires netting the debt acquired to purchase assets against those assets the District still holds title, which creates the net deficit position at December 31, 2016.

### Economic Conditions and 2017 Budget

The District's assessed valuation for debt service in 2016 was \$139,533,329 and decreased to \$139,033,963 for 2017. The District has assessed 28.197 mills for debt service and 6.803 mills for general operations in 2017. This should result in a net decrease in ending fund balance in the General Fund of \$52,855 and a net increase in the ending fund balance in the Debt Service fund of \$71. For 2017, the District has decreased budgeted transfers to Lena Gulch from \$1,350,000 to \$1,150,000, which will be used to cover increasing operational costs and various capital improvements within the Districts.

### Requests for Information

This report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Denver West Metropolitan District  
C/O Morain Bakarich, CPAs  
Attention: Michael A Bakarich, CPA  
2801 Youngfield Street, Suite 370  
Golden, CO 80401

DENVER WEST METROPOLITAN DISTRICT  
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEETS  
December 31, 2016

	<u>Governmental Activities</u>			<u>Total</u>	<u>Adjustments (Page 2)</u>	<u>Statement of Net Position</u>
	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>			
<b><u>Assets</u></b>						
<b><u>Current Assets</u></b>						
Cash and cash equivalents	\$ 2,686,335	\$ -	\$ 1,760,318	\$ 4,446,653	\$ -	\$ 4,446,653
Property taxes receivable	883,845	-	3,862,137	4,745,982	-	4,745,982
Prepaid expenses	2,556	-	-	2,556	-	2,556
Due from other funds	22,179	72,357	-	94,536	-	94,536
Deposits	12,717	-	-	12,717	-	12,717
Total current assets	<u>3,607,632</u>	<u>72,357</u>	<u>5,622,455</u>	<u>9,302,444</u>	<u>-</u>	<u>9,302,444</u>
<b><u>Capital Assets, Net</u></b>						
Storm drainage	-	-	-	-	6,291,537	6,291,537
Safety signals	-	-	-	-	1,200,224	1,200,224
Rights of way	-	-	-	-	3,053,766	3,053,766
Landscaping and land improvements	-	-	-	-	505,479	505,479
Vehicles	-	-	-	-	-	-
Utilities	-	-	-	-	112,180	112,180
Total capital assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,163,186</u>	<u>11,163,186</u>
<b><u>Deferred Outflows of Resources</u></b>						
Loss on bond refunding, net	-	-	-	-	2,093,114	2,093,114
Bond discount costs, net	-	-	-	-	6,525	6,525
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,099,639</u>	<u>2,099,639</u>
Total assets and deferred outflows of resources	<u>\$ 3,607,632</u>	<u>\$ 72,357</u>	<u>\$ 5,622,455</u>	<u>\$ 9,302,444</u>	<u>13,262,825</u>	<u>22,565,269</u>
<b><u>Liabilities</u></b>						
<b><u>Current Liabilities</u></b>						
Accounts payable	17,647	-	-	17,647	-	17,647
Accrued interest payable	-	-	-	-	169,015	169,015
Due to other districts	1,033,194	72,053	-	1,105,247	-	1,105,247
Due to other funds	72,230	-	22,306	94,536	-	94,536
Total current liabilities	<u>1,123,071</u>	<u>72,053</u>	<u>22,306</u>	<u>1,217,430</u>	<u>169,015</u>	<u>1,386,445</u>
<b><u>Long-term liabilities</u></b>						
Due within one year	-	-	-	-	1,770,000	1,770,000
Due after one year	-	-	-	-	50,075,000	50,075,000
Total long-term liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>51,845,000</u>	<u>51,845,000</u>
<b><u>Deferred Inflows of Resources</u></b>						
Bond premiums, net	-	-	-	-	1,146,061	1,146,061
Unavailable revenue-property taxes	883,845	-	3,862,137	4,745,982	-	4,745,982
Total deferred inflow of resources	<u>883,845</u>	<u>-</u>	<u>3,862,137</u>	<u>4,745,982</u>	<u>1,146,061</u>	<u>5,892,043</u>
<b><u>Fund Balances</u></b>						
Restricted for emergencies	41,664	-	-	41,664	(41,664)	-
Restricted for debt service	-	-	1,738,012	1,738,012	(1,738,012)	-
Committed to capital projects	-	304	-	304	(304)	-
Unassigned	1,559,052	-	-	1,559,052	(1,559,052)	-
Total fund balance	<u>1,600,716</u>	<u>304</u>	<u>1,738,012</u>	<u>3,339,032</u>	<u>(3,339,032)</u>	<u>-</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,607,632</u>	<u>\$ 72,357</u>	<u>\$ 5,622,455</u>	<u>\$ 9,302,444</u>	<u>\$ 49,821,044</u>	<u>\$ 59,123,488</u>
<b><u>Net Position (Deficit)</u></b>						
Net investment in capital assets					(39,897,251)	(39,897,251)
Restricted for emergencies					41,664	41,664
Restricted for debt service					1,738,012	1,738,012
Committed to capital projects					304	304
Unrestricted					1,559,052	1,559,052
Total net position (deficit) governmental activities					<u>\$ (36,558,219)</u>	<u>\$ (36,558,219)</u>

The accompanying notes and independent auditors' report are an integral part of the financial statements.

DENVER WEST METROPOLITAN DISTRICT  
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEETS  
TO THE STATEMENT OF NET POSITION  
December 31, 2016

Total governmental fund balances	\$	3,339,032
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund balance sheets. However, in the Statement of Net Position the cost of assets are capitalized and expensed over their estimated lives through depreciation expense.

Cost	\$	19,208,324	
Accumulated depreciation		<u>(8,045,138)</u>	11,163,186

Governmental funds report the effect of bond discounts on bonds payable when first issued, whereas these amounts are capitalized and amortized in the Statement of Activities.

Bond discount costs	\$	9,607	
Accumulated amortization		<u>(3,082)</u>	6,525

Governmental funds report the effect of bond premiums on bonds payable when first issued, whereas these amounts are capitalized and amortized in the Statement of Activities.

Bond premiums	\$	(1,423,812)	
Accumulated amortization		<u>277,751</u>	(1,146,061)

Governmental funds report the difference between the net carrying value of defeased debt and the cost of the new debt as an other financing use, whereas these amounts are deferred and amortized in the Statement of Activities.

Loss on refunding debt	\$	3,258,469	
Accumulated amortization		<u>(1,165,355)</u>	2,093,114

Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the fund balance sheets. Those liabilities consist of:

Long term liabilities - bonds	\$	(51,845,000)	
Accrued interest - bonds		<u>(169,015)</u>	(52,014,015)

Net Position (Deficit) of Governmental Activities	\$	<u><u>(36,558,219)</u></u>
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The accompanying notes and independent auditors' report are an integral part of the financial statements.

DENVER WEST METROPOLITAN DISTRICT  
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED DECEMBER 31, 2016

	Governmental Activities			Total	Adjustments (Page 4)	Statement of Activities
	General Fund	Capital Projects Fund	Debt Service Fund			
Expenditures/expenses:						
Governmental activities:						
Accounting and auditing	\$ 22,123	\$ -	\$ -	\$ 22,123	\$ -	\$ 22,123
Legal	-	-	-	-	-	-
Service charges	180	-	4,004	4,184	-	4,184
Debt Service:						
Principal	-	-	1,700,000	1,700,000	(1,700,000)	-
Interest	-	-	2,093,791	2,093,791	266,553	2,360,344
Treasurer's fee	13,428	-	56,796	70,224	-	70,224
Capital outlay	137,081	-	-	137,081	(137,081)	-
Depreciation and amortization	-	-	-	-	506,778	506,778
Insurance	3,058	-	-	3,058	-	3,058
Transfers out - other governments	1,212,919	-	-	1,212,919	-	1,212,919
Total expenditures/expenses	<u>1,388,789</u>	<u>-</u>	<u>3,854,591</u>	<u>5,243,380</u>	<u>(1,063,750)</u>	<u>4,179,630</u>
General revenues:						
General property taxes	895,200	-	3,786,592	4,681,792	-	4,681,792
Specific ownership taxes	383,710	-	-	383,710	-	383,710
Interest	5,010	1	-	5,011	64,719	69,730
Total revenues	<u>1,283,920</u>	<u>1</u>	<u>3,786,592</u>	<u>5,070,513</u>	<u>64,719</u>	<u>5,135,232</u>
Excess (deficiency) of revenues over expenditures	<u>(104,869)</u>	<u>1</u>	<u>(67,999)</u>	<u>(172,867)</u>	<u>1,128,469</u>	<u>955,602</u>
Excess (deficiency) of revenues and transfers in over expenditures and transfers out	<u>(104,869)</u>	<u>1</u>	<u>(67,999)</u>	<u>(172,867)</u>	<u>172,867</u>	<u>-</u>
Change in net position	-	-	-	-	955,602	955,602
Fund balance/net position (deficit), beginning of year	<u>1,705,585</u>	<u>303</u>	<u>1,806,011</u>	<u>3,511,899</u>	<u>(41,025,720)</u>	<u>(37,513,821)</u>
Fund balance/net position (deficit), end of year	<u>\$ 1,600,716</u>	<u>\$ 304</u>	<u>\$ 1,738,012</u>	<u>\$ 3,339,032</u>	<u>\$ (39,897,251)</u>	<u>\$ (36,558,219)</u>

The accompanying notes and independent auditors' report are an integral part of the financial statements.

DENVER WEST METROPOLITAN DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCE -  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2016

Excess (deficiency) of revenues and transfers in over expenditures and transfers  
out - governmental funds \$ (172,867)

Governmental funds report capital outlay, bond issue costs, and bond discounts  
as expenditures. However, in the Statement of Activities the costs of those assets  
are allocated over the estimated useful lives or term of the debt, as applicable,  
and reported as depreciation and amortization expense.

Capital outlay	137,081
Depreciation	(506,778)
Amortization included as interest expense from bond discount and loss on bond refunding	(272,019)

Governmental funds report bond premiums as other financing sources.  
However, in the Statement of Activities the cost of those liabilities  
are amortized over the term of the debt and recorded as interest income.

Amortization-bond premiums	64,719
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Repayment of bond principal is reported as an expenditure in governmental  
funds and, thus, has the effect of reducing fund balance because current  
financial resources have been used. The principal payments reduce the  
liabilities in the Statement of Net Position and do not result in an expense  
in the Statement of Activities. 1,700,000

Interest expense in the Statement of Activities differs from the amount  
reported in governmental funds. The net change in accrued  
interest is as follows. 5,466

Change in net position	\$ 955,602
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The accompanying notes and independent auditors' report are an integral part of the financial statements.

DENVER WEST METROPOLITAN DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

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**I. Summary of Significant Accounting Policies**

**A. Reporting Entity**

The Denver West Metropolitan District operates under a governing Board of Directors and is considered a separate political subdivision of the State of Colorado providing water, streets, traffic and safety controls, fire protection, television relay, transportation, parks and recreation improvements, sanitation and pest control and other related improvements to all present and future residents within the Metropolitan Districts of Denver West (District) and Lena Gulch (Lena Gulch).

The Districts basic financial statements include the accounts and funds of all District operations. The statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles

The District has adopted the provisions of GASB Statement No. 34 – *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. The primary features of the Statement are:

- Government-wide financial reporting, which provides a picture of the District as a single, unified entity.
- Narrative overview and analysis, which provides financial statement users with a narrative introduction, overview and analysis of the basic financial statements in the form of Management’s Discussion and Analysis (MD&A).
- Expanded budgetary reporting showing budgetary comparisons based on the District’s original and final budgets.

**B. Principles Determining Scope of Reporting Entity**

The financial statements of the District consist only of the funds of the District. The District has no oversight responsibility for any other governmental entity, including Lena Gulch, since no other entities are considered to be controlled by or dependent on the District. Control or independence is determined on the basis of financial accountability and responsibility, budget adoption, taxing authority, funding, and election of the respective governing board.

Therefore, in accordance with Governmental Accounting Standards Board Statement No. 14, the District is considered a stand-alone entity.

**C. Government-Wide Financial Statements**

The Statement of Net Position and the Statement of Activities display information about the primary government (the District). These statements include the financial activities of the overall District government, except for fiduciary activities. Governmental activities generally are financed through taxes.

DENVER WEST METROPOLITAN DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

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**I. Summary of Significant Accounting Policies – (continued)**

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**C. Government-Wide Financial Statements – (continued)**

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) grants and contributions that are restricted to meeting the operational needs of a particular program and (b) fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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

**Fund Financial Statements**

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are spent and the means by which spending activities are controlled.

All governmental funds are accounted for on a flow of current financial resources basis. Balance sheets for these funds generally include only current assets and current liabilities. Reported fund balances are considered a measure of available, spendable resources. Operating statements for these funds present a summary of available, spendable resources and expenditures for the period.

Separate financial statements are provided for governmental funds.

Funds are organized into three major categories: governmental, proprietary and fiduciary. The District has three governmental funds (below) and does not maintain proprietary or fiduciary funds.

**Major Funds**

GASB Statement 34 defines major funds and requires that the District's major governmental funds be identified and presented separately in the fund financial statements. All other funds, called non-major funds, are combined and reported in a single column, regardless of their fund-type.

Major funds are defined as funds that have either assets, liabilities, revenues or expenditures/expenses equal to ten percent of their fund-type total and five percent of the grand total. The General Fund is always a major fund. The District may also select other funds it believes should be presented as major funds.

DENVER WEST METROPOLITAN DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

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**I. Summary of Significant Accounting Policies – (continued)**

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**C. Government-Wide and Fund Financial Statements – (continued)**

The following funds were used by the District during 2016:

GOVERNMENTAL FUNDS

*GENERAL FUND*

To account for and report all financial resources not accounted for in another fund.

*DEBT SERVICE FUND*

To account for and report financial resources that are restricted, committed or assigned to expenditures for debt service.

*CAPITAL PROJECTS FUND*

To account for and report financial resources that are restricted, committed or assigned to expenditures for capital outlay.

The highest level of decision making authority is the Board of Directors. A quorum of the Board of Directors and a majority vote is required to establish, modify or rescind a commitment of fund balance. Only a majority vote by the Board of Directors may *assign* amounts to specific purposes, and the policy pursuant to that authorization.

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 *committed* amounts to be reduced first, then *assigned*, and then *unassigned*.

**D. Measurement Focus and Basis of Accounting**

**Measurement Focus**

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become measurable and available as net current assets. Property taxes are recognized as revenues in the year for which they are levied.

The modified accrual basis of accounting is used by all governmental funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they become both measurable and available). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

DENVER WEST METROPOLITAN DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

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**I. Summary of Significant Accounting Policies – (continued)**

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**D. Measurement Focus and Basis of Accounting – (continued)**

**Measurement Focus – (continued)**

Those revenues associated with the current period susceptible to accrual are property taxes, interest revenue and charges for services. All other revenues are reported when the cash is received. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. However, debt service expenditures, principal and interest on long-term debt, are recorded only when payment is due.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**E. Budgets and Budgetary Accounting**

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. On or prior to October 15<sup>th</sup> the budget is submitted to the Board of Directors of the District.
2. A public hearing on the budget is held prior to its adoption.
3. On the date of the hearing, the Board reviews the proposed budget and formally adopts it by resolution.
4. At the time of adopting the budget the Board also adopts the mill levies.
5. Prior to the beginning of the calendar year, the Board passes an appropriating ordinance giving the District legal authority to spend.
6. The District adopts budgets for the General, Capital Projects and Debt Service funds on a basis consistent with generally accepted accounting principles. The District's Board of Directors can modify the budget and appropriations resolutions upon completion of notification and publication requirements. The appropriation is at the total fund expenditures level and lapses at year end.

Budgeted amounts reported in the accompanying financial statements are as originally adopted and as amended by the Board of Directors.

DENVER WEST METROPOLITAN DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

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**I. Summary of Significant Accounting Policies – (continued)**

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**F. Capital Assets**

Capital assets, which include rights-of-way (land), storm drainage, signal lights, utilities, vehicles, landscaping and land improvements are reported in the applicable governmental activities column. Capital assets are valued at cost or estimated historical cost. The cost of normal maintenance and repairs, that do not add to the value of the asset or materially extend the assets' lives are not capitalized.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Rights of Way (Land)	N/A
Landscaping and Land Improvements	20-40 years
Storm Drainage	40 years
Safety Signals	20 years
Vehicles	7 years
Utilities	20 years

**G. Net Position**

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing attributable to the acquisition or construction of improvements of those assets. Net position is reported as restricted when there are external limitations imposed on their use by creditors, grantors, laws or regulations of other governments. Unrestricted net position includes all funds not invested in capital assets or restricted by external restrictions.

**H. Property Taxes**

Property taxes attach an enforceable lien on property as of January 1<sup>st</sup>. Taxes are levied on January 1<sup>st</sup> and are payable in either one installment on or before April 30<sup>th</sup>, or in two installments due on or before February 28<sup>th</sup> and June 15<sup>th</sup> of each year. The collections and assessments are made by Jefferson County and are remitted to the District monthly. The District's property taxes, which are due to be paid in the next period, and representing an enforceable lien at January 1<sup>st</sup> of the next year, have been recorded as a receivable and deferred inflow in the appropriate funds. Property taxes reflected in the Statement of Activities and Governmental Fund Revenues are reported net of abatements. These property taxes represented deferred inflows of \$4,745,982 as of December 31, 2016.

Property taxes are calculated by multiplying the assessed valuation of the property within the District by the mill levy. The District levied 35.000 mills for 2017 taxes, which have been recorded as a deferred inflow at December 31, 2016.

**I. Encumbrances**

The District does not employ encumbrance accounting methods.

DENVER WEST METROPOLITAN DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

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**II. Summary of Significant Accounting Policies – (continued)**

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**J. Bond and Related Premiums, Discounts, Issuance Costs, and Refunding Losses**

In the government-wide financial statements, bond premiums and discounts are reported as deferred inflows or outflows of resources and amortized over the life of the bonds using the straight-line method. In governmental fund financial statements, bond premiums and discounts are recognized in the current period as other financing sources and uses. Issuance costs are reported as expenditures in the year incurred.

Bond discount costs, net of accumulated amortization, of \$6,525 are included in the Statement of Net Position (Deficit). Bond discount costs are being amortized over the life of the 2010 bond issue (20 years) and are reflected as a component of interest expense in the Statement of Activities. In 2016, \$480 of amortization relating to the bond discount costs was included in interest expense in the Statement of Activities.

Bond premiums, net of accumulated amortization, of \$1,146,061 are included in the Statement of Net Position (Deficit) as a deferred inflow of resources. The bond premium is being amortized over the life of the 2012 A&B bonds. In 2016, \$64,719 of amortization of the bond premiums was included in interest income in the Statement of Activities.

Losses from the refunding of debt, net of accumulated amortization, of \$2,093,114 are included in the Statement of Net Position (Deficit) as a deferred outflow of resources. The loss on bond refunding relates to the refunding of Series 2003 and Series 2004 bonds, and the subsequent issuance of Series 2012A and 2012B bonds. The loss on refunding is being amortized over the life of the refunded bonds (13 years), and is reflected as a component of interest expense in the Statement of Activities. In 2016, \$271,539 of amortization relating to the loss on refunding was included in interest expense in the Statement of Activities.

**K. Fund Balances-Governmental Funds**

Beginning with fiscal year 2011, the District implemented GASB Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.” This statement provides more defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- *Nonspendable* – amounts that are not in nonspendable form or are required to be maintained intact.
- *Restricted* – amounts constrained to specific purposes by their providers (such as grantors, bondholder, and higher levels of government), through constitutional provisions, or enabling legislation.
- *Committed* – amounts constrained to specific purposes by the District, using its highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the highest level of decision-making authority takes action to remove or change the constraints.
- *Assigned* – amounts the District intends to use for a specific purpose.
- *Unassigned* – amounts that are available for any purpose.

DENVER WEST METROPOLITAN DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

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**II. Reconciliation of Government-wide and Fund Financial Statements**

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The governmental funds balance sheet includes a reconciliation between fund balances of the governmental funds and the net position of governmental activities as reported in the government-wide statement of net position. Additionally, the governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between the net change in fund balances of the governmental funds and the changes in net position of governmental activities as reported in the government-wide statement of activities.

These reconciliations detail items that require adjustment to convert from the current resources measurement and modified accrual basis for government fund statements to the economic resources measurement and full accrual basis used for government-wide statements.

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**III. Tax, Spending and Debt Limitations**

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Colorado voters passed an amendment to the State Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR) Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. The District's financial activity provides the basis for calculations of limitations adjusted for allowable increases tied to inflation and local growth. Fiscal year spending is generally defined as expenditures plus reserve increases with certain exceptions. In effect, it has been generally interpreted that fiscal year spending approximates nonexempt revenues or receipts. Spending includes spending from certain revenue and financial sources such as federal funds, gifts, property sales, fund transfers, damage awards, and fund reserves.

The Amendment requires, with certain exceptions, voter approval prior to imposing new taxes, increasing tax rates, increasing a mill levy above that for the prior year, extending an expiring tax, or implementing a tax policy change directly causing a net tax revenue gain to any local government. The District levied 35.000 mills for property taxes to be collected in 2016, which included 28.070 mills for debt service and 6.930 mills for general administration and operating expenses, as approved by the voters of the District. The 2016 mill levy raised \$4,681,792 of general property taxes in 2016.

Except for bond refinancing at lower rates, the Amendment specifically prohibits the creation of multiple-fiscal year debt or other financial obligations without voter approval or irrevocably pledging present cash reserves for all future payments.

The Amendment requires that Emergency Reserve be established. These reserves must be at least 2 percent of Fiscal year spending (excluding bond debt service) in 1994 and 3 percent thereafter. Emergency reserves as of December 31, 2016, totaling \$41,664 have been presented as a restricted fund balance in the General Fund and restricted net position in the Statement of Net Position. The District is not allowed to use emergency reserve to compensate for economic conditions, revenue shortfalls, or salary, or benefit increases. The Amendment is complex and subject to judicial interpretations. The District believes it is in compliance with the requirements of the amendment. However, the District has made certain interpretations in the amendment's language in order to determine its compliance.

DENVER WEST METROPOLITAN DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2016

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**IV. Cash, Deposits and Investments**

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***Deposits/Custodial Risk***

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Amounts on deposit in excess of federal insurance coverage must be collateralized. PDPA allows eligible depositories to create a single collateral pool for all public funds. The market value of eligible collateral (determined under PDPA) must exceed the aggregate uninsured deposits held by a financial institution on behalf of all local government deposits.

***Investments/Credit Risk***

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

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

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

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

District policy is to hold investments until maturity.

As of December 31, 2016, cash deposits held by the District comprised of checking accounts (18%) and money market accounts (82%). Summarized as follows:

	<b>Book Balance</b>	<b>Bank Balance</b>
Insured deposits		
Bank deposits	\$ 250,000	\$ 250,000
Collateralized deposits		
Bank deposits	4,196,653	4,199,012
Total cash deposits	\$ 4,446,653	\$ 4,449,012

DENVER WEST METROPOLITAN DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

**V. Capital Assets**

Prior to GASB Statement No. 34, the District was not required to calculate depreciation expense for reporting capital assets. In accordance with the implementation of GASB Statement No. 34, capital assets have been adjusted to reflect historical cost for the purpose of calculating depreciation. The adjustments are shown below. Capital asset activity for the year ended December 31, 2016 was as follows:

	<b>Balance 12/31/15</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 12/31/16</b>
<i>Capital Assets, not being depreciated:</i>				
Land – Right of Way	\$ 3,053,766	--	--	\$ 3,053,766
Total Capital Assets, not being depreciated	3,053,766	--	--	3,053,766
<i>Capital Assets, being depreciated:</i>				
Landscaping and Land Improvements	609,308	57,383	--	666,691
Drainage	11,228,891	10,115	--	11,239,006
Safety Signals	4,015,164	18,120	--	4,033,284
Vehicles	32,893	--	--	32,893
Utilities	131,221	51,463	--	182,684
Total Capital Assets, being depreciated	16,017,477	137,081	--	16,154,558
<i>Less, Accumulated Depreciation for:</i>				
Landscaping and Land Improvements	(143,908)	(17,304)	--	(161,212)
Drainage	(4,665,814)	(281,655)	--	(4,947,469)
Safety Signals	(2,633,415)	(199,645)	--	(2,833,060)
Vehicles	(32,893)	--	--	(32,893)
Utilities	(62,330)	(8,174)	--	(70,504)
Total Accumulated Depreciation	(7,538,360)	(506,778)	--	(8,045,138)
<i>Total Capital Assets, being depreciated, net:</i>	8,479,117	(369,697)	--	8,109,420
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 11,532,883</b>	<b>(369,697)</b>	<b>--</b>	<b>\$ 11,163,186</b>

Depreciation expense for the year ending December 31, 2016, was \$506,778.

**VI. Long-Term Debt**

**General Obligation Bonds**

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities. The amount of bonds advanced refunded and considered defeased and removed from the Statement of Net Position is \$44,750,000 at December 31, 2016.

DENVER WEST METROPOLITAN DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

**VI. Long-Term Debt – (continued)**

**Changes in long-term debt**

Long-term debt activity – Governmental activities for the year ended December 31, 2016, was as follows:

	<b>Balance 12/31/15</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 12/31/16</b>
GO Refunding Bonds, Series 2005A	\$ 965,000	--	(965,000)	\$ --
GO Bonds, Series 2005B	2,965,000	--	(30,000)	2,935,000
GO Refunding Bonds, Series 2010	4,375,000	--	(705,000)	3,670,000
GO Refunding Bonds, Series 2012A	44,450,000	--	--	44,450,000
GO Refunding Bonds, Taxable Series 2012B	790,000	--	--	790,000
 (GO=General Obligation)	 \$ 53,545,000	 --	 (1,700,000)	 \$ 51,845,000

Payments on the general obligation bonds payable are made by the debt service fund.

GENERAL OBLIGATION REFUNDING BONDS SERIES 2005A

The District was authorized to issue general obligation refunding bonds totaling \$6,285,000. These bonds were issued on September 7, 2005 in order to finance certain capital projects and refund the general obligation bond 1995 and 1996. The bonds mature in annual installments on December 1 of each year and bear interest at annual rates of 3.3% - 4.25%, depending on the year of maturity. Interest on the bonds is payable semiannually on June 1<sup>st</sup> and December 1<sup>st</sup>. At December 31, 2016, \$0 remains outstanding.

GENERAL OBLIGATION BONDS SERIES 2005B

The District was authorized to issue general obligation and improvement bonds totaling \$3,215,000. These bonds were issued on September 7, 2005 in order to finance certain capital project. The bonds mature in periodic installments on December 1, 2010, 2016, 2025 and 2030. The bonds bear interest rates between 3.75% and 5.25% depending on the year of maturity. Interest on the bonds is payable semiannually on June 1<sup>st</sup> and December 1<sup>st</sup>. Additionally, bonds maturing at December 1, 2025 are to be redeemed at 104.007% of par value. Bonds maturing at December 1, 2030 are to be redeemed at 102.782%. Bonds redeemed at December 1, 2010 and 2016 are to be redeemed at par. At December 31, 2016, \$2,935,000 remains outstanding.

GENERAL OBLIGATION REFUNDING BONDS SERIES 2010

The District was authorized to issue general obligation refunding bonds totaling \$5,680,000. These bonds were issued in July of 2010 to refund general obligation bond 1997 and 1997B. The bonds mature in annual installments on December 1<sup>st</sup> of each year beginning in 2014 and bear interest rates ranging from 2.25% - 4.75%, depending on the year of maturity. Interest on the bonds is payable semiannually on June 1<sup>st</sup> and December 1<sup>st</sup>. At December 31, 2016, \$3,670,000 remains outstanding.

DENVER WEST METROPOLITAN DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2016

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**VI. Long-Term Debt – (continued)**

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GENERAL OBLIGATION REFUNDING BONDS SERIES 2012A

The District was authorized to issue general obligation refunding bonds totaling \$45,450,000. These bonds were issued in September of 2012 to refund the general obligation refunding and improvement bonds series 2003 and general obligation bond series 2004. The bonds mature in annual installments on December 1<sup>st</sup> of each year beginning in 2018 and continuing until 2034. These bonds bear interest rates ranging from 3.00% - 5.00% depending on the year of maturity. Interest on the bonds is payable semiannually on June 1<sup>st</sup> and December 1<sup>st</sup>. At December 31, 2016, \$44,450,000 remains outstanding.

GENERAL OBLIGATION REFUNDING BONDS TAXABLE SERIES 2012B

The District was authorized to issue taxable general obligation refunding bonds totaling \$790,000. These bonds were issued in September of 2012 to refund the general obligation refunding and improvement bonds series 2003 and general obligation bond series 2004. The bonds bear an interest rate of 2.687% and mature on December 1, 2018. Interest on the bonds is payable semiannually on June 1<sup>st</sup> and December 1<sup>st</sup>. At December 31, 2016, \$790,000 remains outstanding.

As of December 31, 2016, debt service requirements of the General Obligation Bonds through maturity are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	1,770,000	2,028,202	3,798,202
2018	2,130,000	1,966,165	4,096,165
2019	2,190,000	1,904,125	4,094,125
2020	2,280,000	1,816,463	4,096,463
2021	2,370,000	1,724,920	4,094,920
2022-2026	13,475,000	6,999,918	20,474,918
2027-2031	16,225,000	4,248,288	20,473,288
2032-2034	11,405,000	875,388	12,280,377
	\$ <u>51,845,000</u>	\$ <u>21,563,469</u>	\$ <u>73,408,458</u>

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**VII. Authorized but Unissued Debt**

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The District does not have any authorized, but unissued debt, pursuant to 29-1-605 in House Bill 08-1125.

DENVER WEST METROPOLITAN DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

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**VIII. Deferred Outflows/Inflows of Resources**

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In addition to assets, the Statement of Net Position (Deficit) reports a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expenditure) until then. The District has discount costs along with a deferred charge on refunding reported as deferred outflows of resources in the Statement of Net Position (Deficit). The bond discount costs are amortized over the life of the underlying bonds. The deferred charge on refunding is amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the Statement of Net Positions (Deficit) reports a section for deferred inflows of resources. Deferred inflows of resources, represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until then. The District has bond premiums and deferred property tax revenue reported as deferred inflows of resources in the Statement of Net Position. The governmental funds report deferred property tax revenue which is deferred and recognized as an inflow of resources in the period collected. Bond premiums are not considered an inflow of resources when the bonds are issued and are deferred and amortized as a component of interest income over the life of the bonds issued.

**IX. Other Information**

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**Risk management**

The District is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the District carries insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past five fiscal years.

**Related party transaction**

The District conducts joint Board meetings with Lena Gulch. The respective Boards are composed of the same Directors, all of whom are members of the Stevinson family.

The major property owners within the District are Colorado Mills, LLLP; Colorado Mills Residual, LLLP; Denver West Office Park, LLC; Automotive Services, Inc.; and Denver West Village, LLC. Stevinson Colorado Mills Holdings, LLC, is a limited partner in Colorado Mills, LLLP and Colorado Mills Residual, LLLP. Stevinson Office Park Holdings, LLC, is a member of Denver West Office Park, LLC.

Other related parties include Denver West Management, Inc.; Denver West Realty, Inc.; Denver West Leasing Company, LLC.; Denver West Properties, LLC; Denver West Suites and Secretarial, Inc.; DW Investments, LLC; Golden Pottery Company; Pyne Company of Colorado; Stevinson Automotive, Inc.; Stevinson Development Company, LLC; Stevinson Realty, Inc.; Wide Acres Land Company; Grassland Partnership, LLP; Stevinson Partnership, Ltd., LLLP; Stevinson Chevrolet West, Inc.; Golden Mesa, LLC; and Table Mountain Land Company.

Various members of the Stevinson family have financial interests in the above-named entities and/or serve as managers, officers and directors to the various entities and their affiliates.

DENVER WEST METROPOLITAN DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

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**IX. Other Information – (continued)**

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**Related party transaction – (continued)**

The District has long standing agreements with related parties, subject to annual budget appropriation approval, including a Landscaping Services Agreement with Denver West Management, Inc. and a Public Improvements Agreement for Colorado Mills between Colorado Mills, LLLP, the District and the City of Lakewood.

During 2016, no amounts were paid under these agreements or to any related entity.

**Intergovernmental Agreement**

The District entered into a District Facilities Construction Service Agreement (“IGA”) on May 8, 1988 with Lena Gulch. The IGA sets forth the rights and obligations of the financing district to fund, and of the service district to construct, own or transfer, and to operate and maintain, public facilities and services of benefit to both Districts; and to implement the Consolidated Service Plan (“Service Plan”) of the Districts. The Service Plan describes the relationship between the Districts.

In this connection, the District contracts for and supervises the construction and acquisition of facilities under the annual budget as described in the Service Plan.

Lena Gulch owns all facilities, except as otherwise provided, and is responsible for the operation and maintenance of all facilities. Under the Service Plan, certain facilities may be transferred or leased to other governmental entities for operation and maintenance purposes. Lena Gulch also performs certain administrative services for the District in exchange for fees.

Under the IGA, future capital needs of the two Districts will be accomplished through the issuance of (i) revenue bonds issued by Lena Gulch, secured by future development fees, and (ii) general obligation bonds by the District once certain assessed valuation levels are achieved. No bonds have been issued by Lena Gulch as of December 31, 2016. The District is designated as the Financing District, and Lena Gulch is designated as the Service District. The District currently generates tax revenue sufficient to pay the costs of capital improvements for Lena Gulch.

Pursuant to the terms of the IGA, the District is responsible for generating property tax revenues that are used to pay for the costs of the District’s facilities, including annual obligation debt service, and pay the annual operating, maintenance and administrative expenditures incurred by Lena Gulch. Proceeds from the District’s general obligation bond issues are used to contribute construction funds to Lena Gulch. Lena Gulch uses these construction funds to pay for the costs of required municipal infrastructure improvements. In 2016, \$1,212,919 was appropriated under the Operation and Maintenance Agreement with Lena Gulch and the District has an amount due to Lena Gulch of \$1,105,247 as of December 31, 2016.

DENVER WEST METROPOLITAN DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

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**X. Commitments and Contingencies**

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As more fully described in Note IX, the District has entered into an intergovernmental agreement (“IGA”) with Lena Gulch. Under the IGA, the District and Lena Gulch acknowledge and agree that the maximum amount of Total Actual Costs and Total Actual Service Costs (as defined in the IGA), which could become due under the IGA are not permitted to exceed an amount in excess of both Districts’ respective voters’ authorization. The District’s voters have authorized expenditures of total actual capital costs of 67 million dollars and total actual service costs of three million dollars. The IGA states that, due to annual budget limitations, unpaid amounts carry forward to the subsequent years until paid in full.

The District has entered into agreements with other governmental and non-governmental entities subject to annual budget appropriations, including a Construction, Operation and Maintenance Agreement between Jefferson County, Lena Gulch, and other Denver West/Stevinson signatories.

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**XI. Deficit Net Position**

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The District has deficit net position of \$36,558,219 at December 31, 2016. The District has incurred debt since inception for the construction of road and street rights-of-way within the District. Many of these assets have been deeded or transferred to other local and state governmental entities. These entities have assumed the responsibility for continued maintenance of these improvements and therefore, these assets no longer belong to the District but still exist for the benefit and use of the taxpayers of the District. GASB 34 requires netting the debt acquired to purchase assets against those assets the District still holds title. This creates the deficit in net position at December 31, 2016.

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**XII. Interfund Balances and Transfers**

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As of December 31, 2016, interfund balances consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Capital Projects	General Fund	\$ 72,230
General Fund	Debt Service	\$ 22,179
Capital Projects	Debt Service	\$ 127

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**XIII. Subsequent Events**

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The District has evaluated subsequent events through the date of the audit report, which is the date the financial statements were available to be issued.

The District is located in Jefferson County Colorado. The Gallagher Amendment in the Colorado Constitution requires an adjustment to the Residential Adjustment Rate (RAR) in order to maintain a constant relationship between the statewide share of residential taxable value and the statewide share of nonresidential taxable value. The amendment prevents the share of residential property from increasing relative to other classes of property due to an increase in home values. The residential assessment rate for 2017-2018 property tax years has been set at 7.2%. The effects of this Amendment may result in a reduction of property tax revenue to the District in 2017 and beyond.

DENVER WEST METROPOLITAN DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

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**XIII. Subsequent Events – (continued)**

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On May 08, 2017, properties within the District experienced a significant hail storm which caused damage to certain properties located within the District. The financial and economic impact to the District cannot be reasonably determined based on information available as of the date of this report.

**REQUIRED SUPPLEMENTARY INFORMATION**

DENVER WEST METROPOLITAN DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL-  
BUDGETARY BASIS

GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>BUDGETED AMOUNTS</u>			Variance favorable <u>(unfavorable)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
General property taxes	\$ 912,051	\$ 912,051	\$ 895,200	\$ (16,851)
Specific ownership taxes	315,000	315,000	383,710	68,710
Interest	6,500	6,500	5,010	(1,490)
Total revenues	<u>1,233,551</u>	<u>1,233,551</u>	<u>1,283,920</u>	<u>50,369</u>
Expenditures/expenses:				
Accounting and auditing	40,000	40,000	22,123	17,877
Service charges	2,000	2,000	180	1,820
Insurance	4,000	4,000	3,058	942
Treasurer's fee	14,137	14,137	13,428	709
Capital outlay	-	-	137,081	(137,081)
Total expenditures	<u>60,137</u>	<u>60,137</u>	<u>175,870</u>	<u>(115,733)</u>
Excess (deficiency) of revenues over expenditures	<u>1,173,414</u>	<u>1,173,414</u>	<u>1,108,050</u>	<u>(65,364)</u>
Other financing sources/(uses):				
Transfers out-other districts	(1,350,000)	(1,350,000)	(1,212,919)	137,081
Net other financing sources/(uses):	<u>(1,350,000)</u>	<u>(1,350,000)</u>	<u>(1,212,919)</u>	<u>137,081</u>
Excess (deficiency) of revenues over expenditures and other financing (uses)	<u>(176,586)</u>	<u>(176,586)</u>	<u>(104,869)</u>	<u>71,717</u>
Fund balance, beginning of year	<u>1,676,840</u>	<u>1,676,840</u>	<u>1,705,585</u>	<u>28,745</u>
Fund balance, end of year	<u>\$ 1,500,254</u>	<u>\$ 1,500,254</u>	<u>\$ 1,600,716</u>	<u>\$ 100,462</u>

The accompanying notes and independent auditors' report are an integral part of these financial statements.

**OTHER SUPPLEMENTARY INFORMATION**

DENVER WEST METROPOLITAN DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
BUDGETARY BASIS

CAPITAL PROJECTS FUND  
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>BUDGETED AMOUNTS</u>			Variance favorable <u>(unfavorable)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Interest	\$ 20	\$ 20	\$ 1	(19)
Total revenues	<u>20</u>	<u>20</u>	<u>1</u>	<u>(19)</u>
Expenditures/expenses:				
Capital improvements	326	326	-	326
Total expenditures	<u>326</u>	<u>326</u>	<u>-</u>	<u>326</u>
Excess (deficiency) of revenues over expenditures	<u>(306)</u>	<u>(306)</u>	<u>1</u>	<u>307</u>
Other financing sources/(uses):				
Transfers in-other funds	-	-	-	-
Net other financing sources/(uses):	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and expenditures and other financing sources/(uses)	<u>(306)</u>	<u>(306)</u>	<u>1</u>	<u>307</u>
Fund balance, beginning of year	<u>306</u>	<u>306</u>	<u>303</u>	<u>(3)</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 304</u>	<u>\$ 304</u>

The accompanying notes and independent auditors' report are an integral part of these financial statements.

DENVER WEST METROPOLITAN DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
BUDGETARY BASIS

DEBT SERVICE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>BUDGETED AMOUNTS</u>			Variance favorable (unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
General property taxes	\$ 3,857,776	\$ 3,857,776	\$ 3,786,592	\$ (71,184)
Interest	-	-	-	-
Total revenues	<u>3,857,776</u>	<u>3,857,776</u>	<u>3,786,592</u>	<u>(71,184)</u>
Expenditures/expenses:				
Debt Service:				
Principal	1,700,000	1,700,000	1,700,000	-
Interest	2,093,791	2,093,791	2,093,791	-
Services and charges	4,000	4,000	4,004	(4)
Treasurer's fees	59,796	59,796	56,796	3,000
Total expenditures/expenses	<u>3,857,587</u>	<u>3,857,587</u>	<u>3,854,591</u>	<u>2,996</u>
Excess (deficiency) of revenues over expenditures	<u>189</u>	<u>189</u>	<u>(67,999)</u>	<u>(68,188)</u>
Excess (deficiency) of revenues and expenditures and other financing sources/(uses)	189	189	(67,999)	(68,188)
Fund balance, beginning of year	<u>1,805,813</u>	<u>1,805,813</u>	<u>1,806,011</u>	<u>198</u>
Fund balance, end of year	<u>\$ 1,806,002</u>	<u>\$ 1,806,002</u>	<u>\$ 1,738,012</u>	<u>\$ (67,990)</u>

The accompanying notes and independent auditors' report are an integral part of these financial statements.