

DENVER GATEWAY CENTER METROPOLITAN DISTRICT
Denver County, Colorado

FINANCIAL STATEMENTS
December 31, 2016



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Independent Auditors' Report

Board of Directors
Denver Gateway Center Metropolitan District
Greenwood Village, Colorado

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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.

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Opinions

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

Other-Matters

Required Supplementary Information

Management has omitted the management 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 individual fund financial statements, the Schedule of Debt Service Requirements to Maturity, and the Summary of Assessed Valuation, Mill Levy and Property Taxes Collected are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The Schedule of Debt Service Requirements to Maturity, and the Summary of Assessed Valuation, Mill Levy and Property Taxes Collected have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

July 14, 2017
Denver, Colorado

Payette & Adams, LLC

BASIC FINANCIAL STATEMENTS

DENVER GATEWAY CENTER METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
December 31, 2016

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 17,915
Cash and investments - Restricted	2,174,883
Receivable - County Treasurer	814
Property taxes receivable	204,387
Prepaid expense	4,176
Total assets	<u>2,402,175</u>
LIABILITIES	
Accounts payable	81,870
Due to County	3,346
Accrued interest payable	6,289
Noncurrent liabilities:	
Due in one year	15,000
Due in more than one year	2,385,000
Total liabilities	<u>2,491,505</u>
DEFERRED INFLOWS OF RESOURCES	
Unearned property tax revenue	204,387
Total deferred inflows of resources	<u>204,387</u>
NET POSITION	
Restricted for:	
Emergency reserves	1,100
Debt service	16,625
Unrestricted	(311,442)
Total net position	<u><u>\$ (293,717)</u></u>

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

**DENVER GATEWAY CENTER METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
Year Ended December 31, 2016**

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Primary government:					
Government activities:					
General government	\$ 423,622	\$ -	\$ -	\$ -	\$ (423,622)
Interest and related costs on long-term debt	24,896	-	-	100,624	75,728
	<u>\$ 448,518</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100,624</u>	<u>(347,894)</u>
General revenues:					
Property taxes					151,985
Specific ownership tax					10,157
Net investment income					1,596
Total general revenues					<u>163,738</u>
Change in net position					(184,156)
Net position - Beginning					<u>(109,561)</u>
Net position - Ending					<u>\$ (293,717)</u>

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

**DENVER GATEWAY CENTER METROPOLITAN DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2016**

	General	Debt Service	Capital Projects	Total Governmental Funds
ASSETS				
Cash and investments	\$ 17,915	\$ -	\$ -	\$ 17,915
Cash and investments - Restricted	1,100	101,167	2,072,616	2,174,883
Receivable from County	814	-	-	814
Property taxes receivable	25,548	178,839	-	204,387
Prepaid expenses	4,176	-	-	4,176
TOTAL ASSETS	\$ 49,553	\$ 280,006	\$ 2,072,616	\$ 2,402,175
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 23,450	\$ 450	\$ 57,970	\$ 81,870
Due to County	543	2,803	-	3,346
Total liabilities	23,993	3,253	57,970	85,216
DEFERRED INFLOWS OF RESOURCES				
Unearned property tax revenue	25,548	178,839	-	204,387
Total deferred inflows of resources	25,548	178,839	-	204,387
FUND BALANCES				
Nonspendable for:				
Prepaid expenses	4,176	-	-	4,176
Restricted for:				
Emergencies (TABOR)	1,100	-	-	1,100
Debt service	-	97,914	-	97,914
Capital projects	-	-	2,014,646	2,014,646
Unassigned	(5,264)	-	-	(5,264)
Total fund balances	12	97,914	2,014,646	2,112,572
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES	\$ 49,553	\$ 280,006	\$ 2,072,616	

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

Long-term liabilities are not due and payable in the current period and, therefore, are not in the funds:

Loan payable	(2,400,000)
Accrued interest payable	(6,289)
Net position of governmental activities	\$ (293,717)

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

DENVER GATEWAY CENTER METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
Year Ended December 31, 2016

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
REVENUES				
Property taxes	\$ 24,651	\$127,334	\$ -	\$ 151,985
Specific ownership tax	10,157	-	-	10,157
Net investment income	394	880	322	1,596
Total revenues	<u>35,202</u>	<u>128,214</u>	<u>322</u>	<u>163,738</u>
EXPENDITURES				
Current				
Accounting	13,181	-	1,180	14,361
County Treasurer's fee	247	450	-	697
Denver review fee	3,000	-	-	3,000
District management	29,733	-	2,730	32,463
Dues & subscriptions	461	-	-	461
Election expense	2,848	-	-	2,848
Insurance and bonds	6,930	-	-	6,930
Legal	34,963	-	10,641	45,604
Miscellaneous	1,818	-	-	1,818
Debt service				
Bond interest expense - Series 1999	-	16,880	-	16,880
Bond principal - Series 1999	-	255,000	-	255,000
Paying agent fees	-	1,277	-	1,277
Capital outlay				
Loan issuance cost	-	-	274,270	274,270
Consulting & engineering	-	-	41,620	41,620
Total expenditures	<u>93,181</u>	<u>273,607</u>	<u>330,441</u>	<u>697,229</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(57,979)</u>	<u>(145,393)</u>	<u>(330,119)</u>	<u>(533,491)</u>
OTHER FINANCING SOURCES (USES)				
Loan proceeds	-	-	2,400,000	2,400,000
Developer contribution	-	100,624	-	100,624
Transfers in (out)	30,000	75,000	(105,000)	-
Total other financing sources (uses)	<u>30,000</u>	<u>175,624</u>	<u>2,295,000</u>	<u>2,500,624</u>
NET CHANGE IN FUND BALANCES	(27,979)	30,231	1,964,881	1,967,133
FUND BALANCES - BEGINNING OF YEAR	<u>27,991</u>	<u>67,683</u>	<u>49,765</u>	<u>145,439</u>
FUND BALANCES - END OF YEAR	<u>\$ 12</u>	<u>\$ 97,914</u>	<u>\$ 2,014,646</u>	<u>\$ 2,112,572</u>

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

**DENVER GATEWAY CENTER 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	\$ 1,967,133
<p>Long-term debt (e.g., issuance of bonds, the receipt of Developer advances) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.</p>	
Loan proceeds	(2,400,000)
Bond principal payment	255,000
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:</p>	
Accrued interest on loan - Change in liability	(6,289)
Changes in net position of governmental activities	\$ (184,156)

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

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

	Budget		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Property taxes	\$ 25,493	\$ 25,493	\$ 24,651	\$ (842)
Specific ownership tax	7,000	9,600	10,157	557
Developer advance	-	50,000	-	(50,000)
Net investment income	30	430	394	(36)
Total revenues	<u>32,523</u>	<u>85,523</u>	<u>35,202</u>	<u>(50,321)</u>
EXPENDITURES				
Current				
Accounting	6,200	12,000	13,181	(1,181)
Administration	6,000	-	-	-
Audit	750	750	-	750
Contingency	29,000	-	-	-
County Treasurer's fee	400	400	247	153
Denver review fee	3,000	3,000	3,000	-
District management	-	30,000	29,733	267
Dues & subscriptions	500	500	461	39
Election expense	-	1,650	2,848	(1,198)
Insurance and bonds	4,500	7,000	6,930	70
Landscaping	3,000	3,000	-	3,000
Legal	5,000	50,000	34,963	15,037
Legal publications	1,500	-	-	-
Miscellaneous	500	1,000	1,818	(818)
Emergency reserve fund	975	-	-	-
Total expenditures	<u>61,325</u>	<u>109,300</u>	<u>93,181</u>	<u>16,119</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(28,802)</u>	<u>(23,777)</u>	<u>(57,979)</u>	<u>(34,202)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	-	-	30,000	30,000
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>30,000</u>	<u>30,000</u>
NET CHANGE IN FUND BALANCES	(28,802)	(23,777)	(27,979)	(4,202)
FUND BALANCES - BEGINNING OF YEAR	<u>28,802</u>	<u>27,991</u>	<u>27,991</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ -</u>	<u>\$ 4,214</u>	<u>\$ 12</u>	<u>\$ (4,202)</u>

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

DENVER GATEWAY CENTER METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 1 - DEFINITION OF REPORTING ENTITY

The District, a quasi-municipal corporation and a political subdivision of the State of Colorado, was organized by order and decree of the District Court of the City and County of Denver on October 17, 1997 and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District operates under the Amended and Restated Service Plan dated August 23, 2004. The District's service area is located in the City and County of Denver. The District was established to provide financing for the design, acquisition, installation, construction and completion of public improvements and services, including water, sanitation, street, safety protection, park and recreation improvements and services.

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 property 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.

DENVER GATEWAY CENTER METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Separate financial statements are provided for 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 District considers revenues to be available if they are within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. The District determined that Developer advances are not considered as revenue susceptible to accrual. Expenditures, other than long-term obligations, are recorded when the liability is incurred or the long-term obligation is due.

The District reports the following major governmental funds:

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

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

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

DENVER GATEWAY CENTER METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

The District has amended its annual budget for the year ended December 31, 2016.

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.

Deferred Inflow 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, *unearned property tax revenue*, is also reported 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.

DENVER GATEWAY CENTER METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity

Net Position

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

Fund Balance

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

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

DENVER GATEWAY CENTER METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

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	\$ 17,915
Cash and investments - Restricted	<u>2,174,883</u>
Total cash and investments	<u>\$ 2,192,798</u>

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

Deposits with financial institutions	\$ 2,149,116
Investments	<u>43,682</u>
Total cash and investments	<u>\$ 2,192,798</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.

As of December 31, 2016, the District's cash deposits had a bank balance of \$2,153,292 and a carrying balance of \$2,149,116.

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.

**DENVER GATEWAY CENTER METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

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

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

Fair Value Measurement and Application

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

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

Investment	Maturity	Fair Value
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted average under 60 days	<u>\$ 43,682</u>

**DENVER GATEWAY CENTER METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

COLOTRUST

The District invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and any security allowed under CRS 24-75-601. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. COLOTRUST is rated AAAM by Standard & Poor's.

NOTE 4 - LONG-TERM OBLIGATIONS

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

	<u>Balance at December 31, 2015</u>	<u>Additions</u>	<u>Decreases</u>	<u>Balance at December 31, 2016</u>	<u>Due Within One Year</u>
Series 1999 - G.O. Bonds	\$ 255,000	\$ -	\$ 255,000	\$ -	\$ -
Series 2016 - Loan	-	2,400,000	-	2,400,000	15,000
	<u>\$ 255,000</u>	<u>\$ 2,400,000</u>	<u>\$ 255,000</u>	<u>\$ 2,400,000</u>	<u>\$ 15,000</u>

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

Series 1999 - \$1,000,000 General Obligation Bonds

On August 1, 1999, the District issued the Series 1999 Bonds, with interest of 6.40%, maturing December 1, 2018. Bonds maturing on and after December 1, 2009 are callable at the option of the District, on any interest payment date during the period of December 1, 2009 through November 30, 2010 with premium up to 1%. On and after December 1, 2010, the Bonds can be redeemed without redemption premium.

On December 1, 2016, the District paid off the remaining principal balance.

**DENVER GATEWAY CENTER METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 4 - LONG-TERM OBLIGATIONS (CONTINUED)

Series 2016 - \$7,200,000 Tax-Exempt Loan

On December 2, 2016, the District entered into the 2016 Loan Agreement (Series 2016 Loan) with U.S. Bank N.A. (US Bank) in an amount not to exceed \$7,200,000, with a maturity date of December 1, 2023. The initial advance of \$2,400,000 bears interest of 3.11%. The interest rate for additional advances will be equal to 66% of US Bank's fixed cost of funds plus 1.22% for each advance. Principal is due annually on December 1 and interest is paid semi-annually on June 1 and December 1. The unfunded portion of the loan is subject to an annual Non-Use Fee of 0.50%.

Advance requests are calculated on the Districts assessed valuation as described in the loan agreement.

The District's long-term obligations will mature as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 15,000	\$ 75,469	\$ 90,469
2018	20,000	75,204	95,204
2019	60,000	74,573	134,573
2020	60,000	72,880	132,880
2021	60,000	70,789	130,789
2022-2023	2,185,000	640,405	2,825,405
	<u>\$ 2,400,000</u>	<u>\$ 1,009,320</u>	<u>\$ 3,409,320</u>

Authorized Debt

On November 3, 1998, the District's electorate authorized total indebtedness of \$12,650,000 for the above listed facilities. The election also approved an annual increase in property taxes of \$100,000, at a rate not to exceed 30 mills, to pay the District's operation and maintenance costs.

On November 2, 2004, the District's electorate authorized total indebtedness of \$103,750,000 for infrastructure improvements at an interest rate not to exceed 18% and \$20,750,000 for refunding the District's debt or other obligations. The election also approved an annual increase in property taxes of \$500,000, at a rate not to exceed 50 mills, to pay the District's operation and maintenance costs.

**DENVER GATEWAY CENTER METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 4 - LONG-TERM OBLIGATIONS (CONTINUED)

	<u>Amount Authorized November 3, 2004</u>	<u>Authorization Used 2016 Loan</u>	<u>Remaining at December 31, 2016</u>
Streets	\$ 20,750,000	\$ 3,500,000	\$ 17,250,000
Water	20,750,000	600,000	20,150,000
Sewer	20,750,000	2,400,000	18,350,000
Parks and recreation	20,750,000	600,000	20,150,000
Traffic safety	20,750,000	100,000	20,650,000
	<u>\$ 103,750,000</u>	<u>\$ 7,200,000</u>	<u>\$ 96,550,000</u>

Pursuant to the Amended and Restated Service Plan dated November 24, 2004, the District can issue bond indebtedness of up to \$20,750,000. In addition, the maximum total mill levy for the District is 50 mills, as adjusted for changes in the ratio of actual value to assessed value 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 within the limitations of the District's Service Plan.

NOTE 5 - NET POSITION

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

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

	<u>Governmental Activities</u>
Restricted net position:	
TABOR Reserve	\$ 1,100
Debt service reserve	16,625
Total restricted net position	<u>\$ 17,725</u>

The District has a deficit in unrestricted net position.

DENVER GATEWAY CENTER METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 6 - RELATED PARTIES

The Developer of the property which constitutes the District is Gateway Center Joint Venture, a Colorado General Partnership. Three of the four members of the Board of Directors are officers, employees, or associated with the Developer and may have conflicts of interest in dealing with the District.

NOTE 7 - ECONOMIC DEPENDENCY

The District has not yet established a revenue base sufficient to pay operational expenditures. Until an independent revenue base is established, continuation of operations in the District will be dependent upon funding by the Developer.

NOTE 8 - AGREEMENTS

Advance and Reimbursement Agreement

On December 13, 2016, the District entered into an Advance and Reimbursement Agreement with Denver Gateway Center Joint Venture (Developer) to repay advances made by the Developer for operations and maintenance (O&M) costs. The District agreed to repay the Developer for such O&M advances plus accrued interest at the rate of 6%. As of December 31, 2016, there were no advances under the agreement.

NOTE 9 - INTERFUND AND OPERATING TRANSFERS

The transfer from the Capital Projects Fund to the General Fund was used to cover the shortfall in the General Fund. The transfer from the Capital Projects fund to the Debt Service Fund was the debt reserve portion of the Series 2016 Loan proceeds.

NOTE 10 - RISK MANAGEMENT

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

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

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

DENVER GATEWAY CENTER METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 11 - 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 which apply to the State of Colorado and all local governments.

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

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. As of December 31, 2016, the District had provided for but did not fund an Emergency Reserve, which may be in violation of the Constitutional Amendment.

On November 3, 2004, the District's voters authorized the District to increase property taxes \$500,000 annually, without limitation of rate and without regard to any spending, revenue raising or other limitations contained within Article X, Section 20 of the Colorado Constitutions (TABOR) or Section 29-1-301, C.R.S., to pay the District's operations, maintenance and other expenses. Additionally, the District's electors authorized the District to collect, spend or retain all revenue without regard to any limitations under TABOR.

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

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

SUPPLEMENTARY INFORMATION

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

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 131,681	\$ 131,681	\$ 127,334	\$ (4,347)
Net investment income	150	350	880	530
Total revenues	<u>131,831</u>	<u>132,031</u>	<u>128,214</u>	<u>(3,817)</u>
EXPENDITURES				
Bond interest expense - Series 1999	16,320	16,320	16,880	(560)
Bond principal - Series 1999	80,000	80,000	255,000	(175,000)
Cost of issuance	-	10,000	-	10,000
County Treasurer's fee	1,975	1,975	1,277	698
Paying agent fees	150	150	450	(300)
Total expenditures	<u>98,445</u>	<u>108,445</u>	<u>273,607</u>	<u>(165,162)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>33,386</u>	<u>23,586</u>	<u>(145,393)</u>	<u>(168,979)</u>
OTHER FINANCING SOURCES (USES)				
Developer contribution	-	-	100,624	100,624
Payment to refunding agent	-	(175,000)	-	175,000
Transfers in (out)	-	185,000	75,000	(110,000)
Total other financing sources (uses)	<u>-</u>	<u>10,000</u>	<u>175,624</u>	<u>165,624</u>
NET CHANGE IN FUND BALANCES	33,386	33,586	30,231	(3,355)
FUND BALANCES - BEGINNING OF YEAR	<u>67,328</u>	<u>67,683</u>	<u>67,683</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ 100,714</u>	<u>\$ 101,269</u>	<u>\$ 97,914</u>	<u>\$ (3,355)</u>

**DENVER GATEWAY CENTER METROPOLITAN DISTRICT
CAPITAL PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2016**

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Net investment income	\$ 60	\$ 500	\$ 322	\$ (178)
Total revenues	<u>60</u>	<u>500</u>	<u>322</u>	<u>(178)</u>
EXPENDITURES				
Accounting	-	-	1,180	(1,180)
Consulting & engineering	-	25,000	41,620	(16,620)
Contingency	-	50,000	-	50,000
Cost of issuance	-	251,000	274,270	(23,270)
District management	-	-	2,730	(2,730)
Legal	-	-	10,641	(10,641)
Total expenditures	<u>-</u>	<u>326,000</u>	<u>330,441</u>	<u>(4,441)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>60</u>	<u>(325,500)</u>	<u>(330,119)</u>	<u>4,263</u>
OTHER FINANCING SOURCES (USES)				
Loan proceeds	-	2,400,000	2,400,000	-
Transfers in (out)	-	(185,000)	(105,000)	80,000
Total other financing sources (uses)	<u>-</u>	<u>2,215,000</u>	<u>2,295,000</u>	<u>80,000</u>
NET CHANGE IN FUND BALANCES	60	1,889,500	1,964,881	(75,381)
FUND BALANCES - BEGINNING OF YEAR	<u>49,758</u>	<u>49,765</u>	<u>49,765</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ 49,818</u>	<u>\$ 1,939,265</u>	<u>\$ 2,014,646</u>	<u>\$ (75,381)</u>

**DENVER GATEWAY CENTER METROPOLITAN DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2016**

\$7,200,000 Tax-Exempt Loan - Series 2016

Interest Rate - 3.11%

Dated December 2, 2016; Matures December 1, 2023

Initial Draw of \$2,400,000 - December 2, 2016

Anticipated Draw of \$1,790,000 - 2017

Anticipated Draw of \$3,010,000 - 2018

Principal Payable Annually, Beginning December 1, 2017

Interest Payable Semi-Annually, June 1 and December 1

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 15,000	\$ 75,469	\$ 90,469
2018	20,000	75,204	95,204
2019	60,000	74,573	134,573
2020	60,000	72,880	132,880
2021	60,000	70,789	130,789
2022	65,000	68,897	133,897
2023	2,120,000	66,848	2,186,848
	<u>\$ 2,400,000</u>	<u>\$ 504,660</u>	<u>\$ 2,904,660</u>

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

Year Ended <u>December 31,</u>	Prior Year Assessed Valuation for Current Year Property	Mills Levied	Property Taxes		Percent Collected to Levied
	Tax Levy		Levied	Collected	
2012	\$ 2,987,980	36.992	\$110,531	\$109,166	98.8%
2013	\$ 2,952,230	36.992	\$109,209	\$110,764	101.4%
2014	\$ 3,054,560	36.992	\$112,994	\$110,328	97.6%
2015	\$ 3,054,020	37.865	\$115,640	\$124,122	107.3%
2016	\$ 4,248,860	36.992	\$157,174	\$155,155	98.7%
Estimated for year ending December 31, 2017	\$ 4,258,060	48.040	\$204,387		