

**GALLERIA METROPOLITAN DISTRICT**  
**Arapahoe County, Colorado**

**FINANCIAL STATEMENTS**  
**December 31, 2016**



**RECEIVED**

*By the Office of the State Auditor at 7:45 am, Aug 16, 2017*

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Board of Directors  
Galleria Metropolitan District  
Arapahoe County, Colorado

### Independent Auditors' Report

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

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditor's Responsibility***

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

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

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

#### ***Opinions***

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

***Other-Matters***

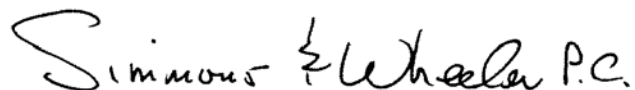
*Required Supplementary Information*

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

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Galleria Metropolitan District's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Handwritten signature in cursive script that reads "Simmons & Wheeler P.C."

Englewood, CO  
July 24, 2017

## **BASIC FINANCIAL STATEMENTS**

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

	<u><b>Governmental Activities</b></u>
<b>ASSETS</b>	
Cash and investments	\$ 100,529
Cash and investments - Restricted	465,226
Receivable - County Treasurer	375
Prepaid expenses	493
Interest receivable	384
Property tax receivable	437,373
Capital assets, not being depreciated	100,890
Total assets	<u>1,105,270</u>
<b>LIABILITIES</b>	
Accounts payable	10,261
Accrued interest payable	11,305
Due to County	92
Noncurrent liabilities:	
Due within one year	265,101
Due in more than one year	3,935,215
Total liabilities	<u>4,221,974</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Property tax revenue	437,373
Total deferred inflows of resources	<u>437,373</u>
<b>NET POSITION</b>	
Net investment in capital assets	100,890
Restricted for:	
Emergency reserves	100
Debt service	444,423
Unrestricted	(4,099,490)
Total net position	<u><u>\$ (3,554,077)</u></u>

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

**GALLERIA METROPOLITAN DISTRICT  
STATEMENT OF ACTIVITIES  
Year Ended December 31, 2016**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Primary government:					
Governmental activities:					
General government	\$ 48,758	\$ -	\$ -	\$ -	\$ (48,758)
Interest and related costs on long-term debt	194,923	-	-	-	(194,923)
	<u>\$ 243,681</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(243,681)</u>
General revenues:					
Property taxes					435,182
Specific ownership taxes					33,711
Net investment income					9,126
Total general revenues					<u>478,019</u>
Change in net position					234,338
Net position - Beginning					<u>(3,788,415)</u>
Net position - Ending					<u>\$ (3,554,077)</u>

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

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

	<b>General</b>	<b>Debt Service</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>			
Cash and investments	\$ 100,529	\$ -	\$ 100,529
Cash and investments - Restricted	100	465,126	465,226
Receivable - County Treasurer	-	375	375
Prepaid expenses	493	-	493
Interest receivable	-	384	384
Property tax receivable	2,113	435,260	437,373
<b>TOTAL ASSETS</b>	<b>\$ 103,235</b>	<b>\$ 901,145</b>	<b>\$ 1,004,380</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 104	\$ 10,157	\$ 10,261
Due to County	92	-	92
Total liabilities	196	10,157	10,353
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property tax revenue	2,113	435,260	437,373
Total deferred inflows of resources	2,113	435,260	437,373
<b>FUND BALANCES</b>			
Nonspendable:			
Prepaid expenses	493	-	493
Restricted for:			
Emergency reserves	100	-	100
Debt service	-	455,728	455,728
Assigned to:			
Subsequent year's expenditures	7,717	-	7,717
Unassigned	92,616	-	92,616
Total fund balances	100,926	455,728	556,654
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 103,235</b>	<b>\$ 901,145</b>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	100,890
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	
Bonds payable	(4,200,316)
Accrued bond interest payable	(11,305)
Net position of governmental activities	<b>\$ (3,554,077)</b>

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

**GALLERIA 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>Total Governmental Funds</u>
<b>REVENUES</b>			
Property taxes	\$ 2,011	\$ 433,171	\$ 435,182
Specific ownership taxes	165	33,546	33,711
Net investment income	-	9,126	9,126
Total revenues	<u>2,176</u>	<u>475,843</u>	<u>478,019</u>
<b>EXPENDITURES</b>			
Current			
Accounting	-	20,712	20,712
Audit	-	4,500	4,500
County Treasurer's fees	30	6,498	6,528
Directors' fees	700	-	700
Dues and subscriptions	243	-	243
Election expense	2,062	-	2,062
Insurance and bonds	2,682	-	2,682
Legal	-	8,499	8,499
Management	-	8,926	8,926
Payroll taxes	54	-	54
Miscellaneous	350	-	350
Debt service			
Bond interest expense	-	145,845	145,845
Bond principal	-	254,919	254,919
Called bond principal	-	226,186	226,186
Bond issue costs	-	43,376	43,376
Paying agent/trust fees	-	500	500
Total expenditures	<u>6,121</u>	<u>719,961</u>	<u>726,082</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(3,945)</u>	<u>(244,118)</u>	<u>(248,063)</u>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>104,871</u>	<u>699,846</u>	<u>804,717</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 100,926</u>	<u>\$ 455,728</u>	<u>\$ 556,654</u>

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

**GALLERIA 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	\$	(248,063)
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The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Bond principal		481,105
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Accrued interest on bonds - Change in liability		1,296
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Changes in net position of governmental activities	\$	<u>234,338</u>
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These financial statements should be read only in connection with  
the accompanying notes to financial statements.

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

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>			
Property taxes	\$ 2,152	\$ 2,011	\$ (141)
Specific ownership taxes	170	165	(5)
Total revenues	<u>2,322</u>	<u>2,176</u>	<u>(146)</u>
<b>EXPENDITURES</b>			
Current			
County Treasurer's fees	33	30	3
Directors' fees	1,200	700	500
Dues and subscriptions	400	243	157
Election expense	2,000	2,062	(62)
Insurance and bonds	2,600	2,682	(82)
Payroll taxes	92	54	38
Miscellaneous	500	350	150
Contingency	5,175	-	5,175
Total expenditures	<u>12,000</u>	<u>6,121</u>	<u>5,879</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(9,678)</u>	<u>(3,945)</u>	<u>5,733</u>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>104,839</u>	<u>104,871</u>	<u>32</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 95,161</u>	<u>\$ 100,926</u>	<u>\$ 5,765</u>

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

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

**NOTE 1 - DEFINITION OF REPORTING ENTITY**

Galleria Metropolitan District (the District) is a quasi-municipal corporation and political subdivision of the State of Colorado, was organized by order and decree of the District Court for Arapahoe County on April 11, 1986, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District's service area is located in the Cities of Aurora and Greenwood Village in Arapahoe County, Colorado. The District was organized to provide street improvements, storm drainage, park and recreation facilities, water and sewer facilities, transportation facilities and television relay facilities. Water service is provided to the property under a total water service contract with the Denver Water Board.

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

The District has no employees and all operations and administrative functions are contracted.

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

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

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

**Government-wide and Fund Financial Statements**

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

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

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

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

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

restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. Expenditures, other than interest on long-term obligations are recorded when the liability is incurred or the long-term obligation 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.

**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 amended its annual budget for the year ended December 31, 2016.

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

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

**Pooled Cash and Investments**

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a single bank account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated to the Debt Service Fund.

Investments are carried at fair value.

**Property Taxes**

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

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

**Capital Assets**

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

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

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

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

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

**Deferred Inflows of Resources**

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

**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.

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

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

- *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 balances that does not meet any of the criteria described above.

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

**NOTE 3 - CASH AND INVESTMENTS**

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

Statement of net position:

Cash and investments	\$ 100,529
Cash and investments - Restricted	<u>465,226</u>
Total cash and investments	<u><u>\$ 565,755</u></u>

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

Deposits with financial institutions	\$ 7,412
Investments	<u>558,343</u>
Total cash and investments	<u><u>\$ 565,755</u></u>

**Deposits with Financial Institutions**

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

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

At December 31, 2016, the District’s cash deposits had a bank balance and a carrying balance of \$7,412.

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

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

**Investments**

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

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

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

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

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

**Fair Value Measurement and Application**

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

The District has invested in COLOTRUST, an external investment pool that records its investments at fair value and measures fair value using Level 2 inputs. The District also invested in Federal Home Loan Banks, a government-sponsored bank. The District records its investments of this security at fair value and measures fair value using Level 2 inputs.

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

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

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

<b>Investment</b>	<b>Maturity</b>	<b>Fair Value</b>
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted average under 60 days	\$ 76,338
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted average under 60 days	10,955
Government Money Market Fund	Weighted average under 43 days	4,069
Federal Home Loan Bank – 1.75%	June 14, 2019 (recorded at cost which is equivalent to fair value as of December 31, 2016)	<u>466,981</u>
		<u>\$ 558,343</u>

**COLOTRUST**

The District invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the Trust), an external investment pool that records its investments at fair value and measures fair value using Level 2 inputs. The Trust is 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.

**CSAFE**

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

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

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

**Government Money Market Fund**

The debt service money that is included in the trust accounts at Wells Fargo Bank is invested in the Government Money Market Fund. This portfolio is a money market fund which invests in U.S. Treasury obligations, which are fully guaranteed as to principal and interest by the United States, with maturities of 13 months or less and repurchase agreements collateralized by U.S. Treasury obligations. The Government Money Market Fund is rated AAAM by Standard & Poor's.

**Federal Home Loans Banks (FHLBanks)**

FHLBanks are 12 U.S. government-sponsored banks that provide stable, on-demand, low-cost funding to eligible borrowers. FHLBanks give access to low cost secured borrowings, known as advances, which are funded by the FHLBanks in the capital markets from the issuance of discount notes or term debt, known as consolidated obligations (COs). COs are joint and several obligations of all the FHLBanks, i.e., any debt issued on behalf of one FHLBank is the responsibility of all for repayment, with the issuing FHLBank having the primary responsibility. FHLBanks is rated AA+ by Standard & Poor's.

**NOTE 4 - CAPITAL ASSETS**

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

<u>Government activities:</u>	<u>Balance at January 1, 2016</u>	<u>Additions</u>	<u>Transfers and Retirements</u>	<u>Balance at December 31, 2016</u>
Capital assets, not being depreciated:				
Water tap participation charge credits	\$ 100,890	\$ -	\$ -	\$ 100,890

**Water Tap Participation Charge Credits**

During 1986, the District obtained 325 ¾" single family residential equivalent demand water tap participation charge credits (charge credits) which are available for use within the District's Contract Service area. The charge credits were purchased at \$590 per credit.

The District will use up to ten of the charge credits for common area irrigation purposes. At December 31, 2016, the District had two charge credits remaining, for common area irrigation purposes, for a total of \$1,180.

On June 14, 1999, the District entered into an agreement with Trammell Crow Denver Development, Inc. (Trammell Crow) where Trammell Crow shall be entitled to use up to 59% of the remaining 315 charge credits (185 credits) for the development of its property. In 2007, Trammell Crow's 130 credits, totaling \$76,700, reverted back to the District to be sold to other

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

**NOTE 4 - CAPITAL ASSETS (CONTINUED)**

developers. At December 31, 2016, the District had 123 charge credits available for a total cost of \$72,570. The District is selling the credits for 90% of the fee charged by Denver Water Board for water tap participation credits at the time of purchase, which currently is approximately \$937 per credit.

On August 9, 1999, the District entered into an agreement with EQR/Legacy Partners Hampden Town Center LLC (Legacy) where Legacy shall be entitled to use up to 41% of the remaining 315 charge credits (130 credits) for the development of its property, without payment of any additional charge credit for a period of ten years commencing August 9, 1999. At December 31, 2016, Legacy had 46 charge credits remaining for a total of \$27,140.

**NOTE 5 - LONG-TERM OBLIGATIONS**

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

	<u>Balance at January 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at December 31, 2016</u>	<u>Due Within One Year</u>
General Obligation Limited Tax Refunding Bonds - Series 2010	\$4,681,421	\$ -	\$ 481,105	\$ 4,200,316	\$265,101
Total long-term obligations	<u>\$4,681,421</u>	<u>\$ -</u>	<u>\$ 481,105</u>	<u>\$ 4,200,316</u>	<u>\$265,101</u>

**General Obligation Bonds**

**\$4,455,000 Reissued General Obligation Limited Tax Refunding Bonds, Series 2010**, were originally dated February 24, 2010, in the original amount of \$5,795,000, with interest at an initial rate of 4.45%. On June 26, 2012, the Series 2010 bonds were amended and restated in the amount of \$5,425,000, with interest at an initial rate of 3.23%. On March 7, 2016, the Series 2010 bonds were amended and restated in the amount of \$4,455,000, with a fixed interest rate of 3.23% through the maturity date of December 1, 2029. The 2016 reissuance of the Series 2010 bonds reduced the Debt Service Reserve Requirement to \$400,000 and eliminated the minimum liquidity requirement. The bonds may be prepaid without prepayment premium prior to maturity on any date.

The Bonds are secured by and payable solely from and to the extent of the Pledged Revenue, consisting of monies derived by the District from the Required Mill Levy and all specific ownership taxes. To the extent specific ownership tax revenues are not necessary in any fiscal year to pay the principal of, premium, if any, and interest on the bonds or to replenish any deficiency in the Debt Service Reserve account, such revenues may be expended by the District for any lawful purpose after December 15 of the fiscal year, plus any other legally available moneys credited to the Bond Account. Required Mill Levy means an ad valorem mill levy imposed upon all taxable property of the District each year in a amount sufficient to pay the principal, premium if any, and interest on the Bonds, operating expenses of the District, and any Parity Bonds as the same become due and payable, and to make up any deficiencies in the Debt Service Reserve Account, but not in excess of 50 mills.

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

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

The Bonds are secured by funds in the Reserve Account in the required amount of \$400,000.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 265,101	\$ 135,670	\$ 400,771
2018	273,663	127,107	400,770
2019	282,503	118,268	400,771
2020	291,628	109,143	400,771
2021	301,047	99,724	400,771
2022-2026	1,657,529	346,326	2,003,855
2027-2029	1,128,845	73,704	1,202,549
	<u>\$ 4,200,316</u>	<u>\$ 1,009,942</u>	<u>\$ 5,210,258</u>

Authorized Debt

On May 5, 1998, the District's voters authorized the issuance of indebtedness in an amount not to exceed \$16,875,000 for the purpose of providing certain public improvements at an interest rate not to exceed 12%. On May 2, 2000, the District's voters rescinded the authorized but unissued indebtedness of \$1,328,150 for storm drainage improvements and authorized an increase in the issuance of indebtedness related to street improvements not to exceed \$11,060,000, at an interest rate not to exceed 12% and \$16,875,000 for refunding the District's debt or other obligations and \$500,000 for operations and maintenance.

At December 31, 2016, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

Streets	\$ 17,275,350
Water	765,500
Sewer	936,200
Recreation	2,223,600
Transportation	511,200
Operations	500,000
Refunding	<u>10,890,000</u>
Total	<u>\$33,101,850</u>

Pursuant to the Amended Service Plan, the District is permitted to issue bond indebtedness of up to \$80,000,000.

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.

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

**NOTE 6 - NET POSITION**

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

As of December 31, 2016, the District had net investment in capital assets of \$100,890.

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

	<b>Governmental Activities</b>
Restricted net position:	
Emergencies	\$ 100
Debt service	444,423
Total restricted net position	\$ 444,523

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

**NOTE 7 - RELATED PARTY TRANSACTIONS**

During 2016, two of the Board members were associated with entities that have developed or are developing property within the District.

**NOTE 8 - RISK MANAGEMENT**

Except as provided in the Colorado Governmental Immunity Act, §24-10-101, et seq., C.R.S., the District may be 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, 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, workers compensation 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.

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

**NOTE 9 - TAX, SPENDING, AND DEBT LIMITATION**

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

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

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

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

On May 2, 2000, the District voters passed an election question to increase property taxes \$500,000 annually, without limitation of rate, to pay the District's operations, maintenance and other expenses. Additionally, the District's electors authorized the District to collect, retain and spend all revenue, other than ad valorem taxes, without regard to any limitations under TABOR.

**NOTE 10 - CONTINGENT LIABILITIES**

In 2011, the District's Board evaluated the status of the Facilities Acquisition Agreement with Trammell Crow (Developer) to determine the likelihood of the District's ability to pay the Agreement. In 2002, the Board intended to reimburse the Developer per the Agreement and recorded the accrued liability. Since that time, the Board members have changed and the intent of the Board has also changed. The current Board does not intend to reimburse the Developer for these additional costs.

The District currently has debt outstanding that requires the District to obtain prior written consent before incurring any additional debt. As of December 31, 2016, the District has not obtained written consent to reimburse the Developer for any additional costs.

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

**NOTE 10 - CONTINGENT LIABILITIES (CONTINUED)**

**Facilities Acquisition Agreement**

On June 28, 1999, the District entered into a Facilities Acquisition Agreement (the Agreement) with Trammell Crow. The District has paid Trammell Crow \$3,800,000 under the terms of the Agreement. On January 1, 2002, the Agreement was amended to allow for an additional \$1,100,000 of estimated costs to be reimbursed to Trammell Crow. The terms of the Agreement extend through and include November 1, 2022, unless terminated earlier by mutual agreement of the parties.

The making of any reimbursement under the Agreement shall be at all times subject to annual appropriation by the District and shall not constitute a debt or indebtedness of the District within the meaning of any constitutional or statutory provision, nor shall it constitute a multiple fiscal year financial obligation. Interest shall accrue on the additional amounts advanced at the rate of prime plus one and three quarters percent per annum as published by Wells Fargo Bank from the date the cost is incurred by Trammell Crow. The interest rate at December 31, 2016, was 5.50%. As of December 31, 2016, Trammell Crow had incurred \$982,193 for public improvements with an unreimbursed outstanding principal balance of \$682,193 and an accrued interest amount of \$687,497.

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

## **SUPPLEMENTARY INFORMATION**

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

	<u>Budget</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Property taxes	\$ 437,564	\$ 437,564	\$ 433,171	\$ (4,393)
Specific ownership taxes	35,010	35,010	33,546	(1,464)
Net investment income	8,500	8,500	9,126	626
Total revenues	<u>481,074</u>	<u>481,074</u>	<u>475,843</u>	<u>(5,231)</u>
<b>EXPENDITURES</b>				
Accounting	25,000	25,000	20,712	4,288
Audit	5,000	5,000	4,500	500
County Treasurer's fees	6,563	6,563	6,498	65
Contingency	5,366	5,366	-	5,366
Legal	20,000	20,000	8,499	11,501
Management	15,000	15,000	8,926	6,074
Debt service				
Bond interest expense	151,210	151,210	145,845	5,365
Bond principal	229,361	254,919	254,919	-
Called bond principal	100,000	226,186	226,186	-
Bond issue costs	-	45,000	43,376	1,624
Paying agent/trust fees	500	500	500	-
Total expenditures	<u>558,000</u>	<u>754,744</u>	<u>719,961</u>	<u>34,783</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(76,926)	(273,670)	(244,118)	29,552
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>704,644</u>	<u>699,846</u>	<u>699,846</u>	<u>-</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 627,718</u>	<u>\$ 426,176</u>	<u>\$ 455,728</u>	<u>\$ 29,552</u>

**GALLERIA METROPOLITAN DISTRICT  
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY  
December 31, 2016**

<b>Bond and Interest Maturing in the Year Ending December 31,</b>	<b>\$4,455,000 Reissued General Obligation Limited Tax Refunding Bonds Originally dated February 24, 2010 - Series 2010 Amended June 26, 2012 and March 7, 2016 Interest Rate - 3.23% Interest Payable June 1 and December 1, Principal Payable December 1</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	\$ 265,101	\$ 135,670	\$ 400,771
2018	273,663	127,107	400,770
2019	282,503	118,268	400,771
2020	291,628	109,143	400,771
2021	301,047	99,724	400,771
2022	310,771	90,000	400,771
2023	320,809	79,962	400,771
2024	331,171	69,600	400,771
2025	341,868	58,903	400,771
2026	352,910	47,861	400,771
2027	364,309	36,462	400,771
2028	376,077	24,695	400,772
2029	388,459	12,547	401,006
	<b>\$ 4,200,316</b>	<b>\$ 1,009,942</b>	<b>\$ 5,210,258</b>

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

<u>Year ended December 31,</u>	<u>Prior Year Assessed Valuation for Current Year Property Tax Levy</u>		<u>Mills Levied for</u>		<u>Total Property Taxes</u>		<u>Percent Collected to Levied</u>
	<u>General</u>	<u>Debt</u>	<u>General</u>	<u>Debt</u>	<u>Levied</u>	<u>Collected</u>	
	2012	\$ 1,758,230	\$ 8,220,200	2.000	40.000	\$ 402,653	
2013	\$ 1,487,460	\$ 8,141,750	2.000	40.000	\$ 388,143	\$ 387,960	99.9%
2014	\$ 999,410	\$ 8,661,980	2.000	40.000	\$ 388,454	\$ 388,453	100.0%
2015	\$ 975,801	\$ 8,856,312	2.000	40.000	\$ 395,236	\$ 393,519	99.6%
2016	\$ 1,076,191	\$ 9,862,902	2.000	40.000	\$ 439,716	\$ 435,182	99.0%

Estimated for  
calendar year ending  
December 31,

2017	\$ 1,056,494	\$ 9,824,988	2.000	40.000	\$ 437,373		
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*Note:*

Property taxes collected in any one year include collection of delinquent property taxes levied in prior years. Information received from the County Treasurer does not permit identification of specific year of levy.