

**GREAT WESTERN PARK METROPOLITAN
DISTRICT NO. 1**

Financial Statements

Year Ended December 31, 2016

with

Independent Auditors' Report



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Board of Directors
Great Western Park Metropolitan District No. 1
Jefferson County, Colorado

Independent Auditors' Report

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

Simmons & Wheeler P.C.

Englewood, CO
November 16, 2017

GREAT WESTERN PARK METROPOLITAN DISTRICT NO. 1

BALANCE SHEET/STATEMENT OF NET POSITION GOVERNMENTAL FUNDS December 31, 2016

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS						
Cash and investments	\$ 8,228	\$ -	\$ 1,349	\$ 9,577	\$ -	\$ 9,577
Cash and investments - restricted	-	109,477	-	109,477	-	109,477
Accounts receivable - developer	2,633	-	1,249	3,882	(3,882)	-
Accounts receivable - other governments	65	455	-	520	-	520
Prepaid expenses	250	-	-	250	-	250
Total Assets	<u>\$ 11,176</u>	<u>\$ 109,932</u>	<u>\$ 2,598</u>	<u>\$ 123,706</u>	<u>(3,882)</u>	<u>119,824</u>
LIABILITIES						
Accounts payable	\$ 11,176	\$ 34,158	\$ 2,598	\$ 47,932	-	47,932
Accrued interest on note	-	-	-	-	108,341	108,341
Long-term liabilities:						
Due in more than one year	-	-	-	-	267,240	267,240
Total Liabilities	<u>11,176</u>	<u>34,158</u>	<u>2,598</u>	<u>47,932</u>	<u>375,581</u>	<u>423,513</u>
FUND BALANCES/NET POSITION						
Fund Balances:						
Nonspendable:						
Prepays	250	-	-	250	(250)	-
Restricted:						
Emergencies	990	-	-	990	(990)	-
Debt service	-	75,774	-	75,774	(75,774)	-
Unassigned	(1,240)	-	-	(1,240)	1,240	-
Total Fund Balances	<u>-</u>	<u>75,774</u>	<u>-</u>	<u>75,774</u>	<u>(75,774)</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 11,176</u>	<u>\$ 109,932</u>	<u>\$ 2,598</u>	<u>\$ 123,706</u>		
Net Position:						
Restricted for:						
Emergencies					990	990
Debt service					(32,567)	(32,567)
Unrestricted					(272,112)	(272,112)
Total Net Position					<u>\$ (303,689)</u>	<u>\$ (303,689)</u>

The notes to the financial statements are an integral part of these statements.

GREAT WESTERN PARK METROPOLITAN DISTRICT NO. 1

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS

For the Year Ended December 31, 2016

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
EXPENDITURES						
General expenses:						
Accounting	\$ 4,605	\$ -	\$ 3,493	\$ 8,098	\$ -	\$ 8,098
Audit	4,326	-	-	4,326	-	4,326
Election	1,074	-	-	1,074	-	1,074
Insurance	5,912	-	-	5,912	-	5,912
Legal	14,202	-	8,800	23,002	-	23,002
Management fees	5,280	-	2,019	7,299	-	7,299
Miscellaneous expenses	1,862	-	-	1,862	-	1,862
Debt Service						
Interest expense	-	39,490	-	39,490	(8,643)	30,847
Repay line of credit note - interest	-	1,346,814	-	1,346,814	(863,015)	483,799
Repay line of credit note - principal	-	6,857,102	-	6,857,102	(6,857,102)	-
Capital projects						
Engineering	-	-	6,697	6,697	(6,697)	-
Conveyance of capital assets to other governments	-	-	-	-	11,815,557	11,815,557
Total Expenditures	<u>37,261</u>	<u>8,243,406</u>	<u>21,009</u>	<u>8,301,676</u>	<u>4,080,100</u>	<u>12,381,776</u>
GENERAL REVENUES						
Interest income	35	511	-	546	-	546
Transfer from other governments	10,771	8,278,601	-	8,289,372	-	8,289,372
Total General Revenues	<u>10,806</u>	<u>8,279,112</u>	<u>-</u>	<u>8,289,918</u>	<u>-</u>	<u>8,289,918</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(26,455)	35,706	(21,009)	(11,758)	(4,080,100)	(4,091,858)
OTHER FINANCING SOURCES (USES)						
Defeasance of balance non-revolving note	-	-	-	-	6,143,713	6,143,713
Forgiveness of capital advances note	-	-	-	-	208,736	208,736
Developer advances	21,218	-	21,009	42,227	(42,227)	-
Total Other Financing Sources (Uses)	<u>21,218</u>	<u>-</u>	<u>21,009</u>	<u>42,227</u>	<u>6,310,222</u>	<u>6,352,449</u>
NET CHANGES IN FUND BALANCES	(5,237)	35,706	-	30,469	(30,469)	
CHANGE IN NET POSITION					2,260,591	2,260,591
FUND BALANCES/NET POSITION:						
BEGINNING OF YEAR	5,237	40,068	-	45,305	(2,609,585)	(2,564,280)
END OF YEAR	<u>\$ -</u>	<u>\$ 75,774</u>	<u>\$ -</u>	<u>\$ 75,774</u>	<u>\$ (379,463)</u>	<u>\$ (303,689)</u>

The notes to the financial statements are an integral part of these statements.

GREAT WESTERN PARK METROPOLITAN DISTRICT NO. 1

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended December 31, 2016

	Original <u>Budget</u>	Final Budget	Actual	Variance Favorable <u>(Unfavorable)</u>
REVENUES				
Interest income	\$ -	\$ -	\$ 35	\$ 35
Transfer from other governments	<u>14,645</u>	<u>14,645</u>	<u>10,771</u>	<u>(3,874)</u>
Total Revenues	<u>14,645</u>	<u>14,645</u>	<u>10,806</u>	<u>(3,839)</u>
EXPENDITURES				
Accounting	5,200	5,200	4,605	595
Audit	5,000	5,000	4,326	674
Election	1,000	1,000	1,074	(74)
Insurance	5,800	5,800	5,912	(112)
Legal	10,000	14,010	14,202	(192)
Management fees	6,000	6,000	5,280	720
Miscellaneous expenses	2,000	2,000	1,862	138
Emergency reserve	<u>990</u>	<u>990</u>	<u>-</u>	<u>990</u>
Total Expenditures	<u>35,990</u>	<u>40,000</u>	<u>37,261</u>	<u>2,739</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	(21,345)	(25,355)	(26,455)	(1,100)
OTHER FINANCING SOURCES (USES)				
Developer advances	<u>18,345</u>	<u>22,355</u>	<u>21,218</u>	<u>(1,137)</u>
Total Other Financing Sources (Uses)	<u>18,345</u>	<u>22,355</u>	<u>21,218</u>	<u>(1,137)</u>
NET CHANGE IN FUND BALANCE				
	(3,000)	(3,000)	(5,237)	(2,237)
FUND BALANCE:				
BEGINNING OF YEAR	<u>3,000</u>	<u>3,000</u>	<u>5,237</u>	<u>2,237</u>
END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of these statements.

GREAT WESTERN PARK METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements
December 31, 2016

Note 1: Summary of Significant Accounting Policies

The accounting policies of the Great Western Park Metropolitan District No. 1, (the "District"), located in the City and County of Broomfield, Colorado, ("Broomfield"), conform to the accounting principles generally accepted in the United States of America ("GAAP") as applicable to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies consistently applied in the preparation of financial statements.

Definition of Reporting Entity

The District was organized on December 17, 2008, as a quasi-municipal organization established under the State of Colorado Special District Act along with Great Western Park Metropolitan District No. 2. Great Western Park Metropolitan District No. 3 was organized on January 4, 2002. Great Western Park Metropolitan District No. 1 is referred to in its Service Plan as the "Service District" and Great Western Park Metropolitan District No. 2 and Great Western Park Metropolitan District No. 3 are referred to as the "Tax Districts" established to finance and pay for various services and facilities which will be provided by the District. The District was established to provide financing for construction of streets, water, sanitation, traffic and safety protection, and parks and recreational improvements. As of July 1, 2016, the three Districts operate independently of one another. The following is a summary of the more significant policies consistently applied in the preparation of financial statements. The District is governed by an elected Board of Directors. The following is a summary of the more significant policies consistently applied in the preparation of financial statements.

As required by GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District follows the GASB, Statement No. 61, *The Financial Reporting Entity: Omnibus, which amended* GASB Statement No. 14, *The Financial Reporting Entity* and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, which provides guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB sets 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 pronouncements also require including a possible component unit if it would be misleading to exclude it.

The District is not financially accountable for any other organization. The District has no component units as defined by the GASB.

GREAT WESTERN PARK METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements December 31, 2016

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

Basis of Presentation

The accompanying financial statements are presented per GASB Statement No. 34 - Special Purpose Governments.

The government-wide financial statements (i.e. the governmental funds balance sheet/statement of net position and the governmental funds statement of revenues, expenditures, and changes in fund balances/statement of activities) report information on all of the governmental activities of the District. The statement of net position reports all financial and capital resources of the District. The difference between the (a) assets and deferred outflows of resources and the (b) liabilities and deferred inflows of resources of the District is reported as net position. The statement of activities demonstrates the degree to which expenditures/expenses of the governmental funds are supported by general revenues. For the most part, the effect of interfund activity has been removed from these statements.

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*.

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 the related cash flows. Property taxes are recognized as revenues in the year for which they are collected.

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 material sources of revenue subject to accrual are property taxes and interest. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is paid.

GREAT WESTERN PARK METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements December 31, 2016

The District reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the District. It is used to account for all financial resources not accounted for and reported in another fund.

Debt Service Fund – The Debt Service Fund is used to account for all financial resources that are restricted, committed or assigned to expenditures for principal, interest and other debt related costs.

Capital Projects Fund – The Capital Projects Fund is used to account for all financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other assets.

Budgetary Accounting

Budgets are adopted on a non-GAAP basis for the governmental funds. In accordance with the State Budget Law of Colorado, the District's Board of Directors holds public hearings in the fall of each year to approve the budget and appropriate the funds for the ensuing year. 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 appropriation is at the total fund expenditures level and lapses at year end.

In November 2016, the District amended its total appropriations in the General Fund from \$35,990 to \$40,000. Additionally, the District amended its total appropriations in the Capital Projects Fund from \$12,880 to \$24,000 and in the Debt Service Fund from \$106,195 to \$8,243,406 primarily due to the repayment of the Series 2010 Non-revolving Line of Credit Note (see Note 4).

Assets, Liabilities and Net Position:

Fair Value of Financial Instruments

The District's financial instruments include cash and cash equivalents, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2016, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

GREAT WESTERN PARK METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements December 31, 2016

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand and short-term investments with maturities of three months or less from the date of acquisition. Investments for the government are reported at fair value.

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 minimum number of bank accounts. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash.

Interfund Balances

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". These amounts are eliminated in the Statement of Net Position.

Estimates

The preparation of these financial statements in conformity with GAAP requires the District management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District only has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report 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 District has no items that qualify for reporting in this category.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

GREAT WESTERN PARK METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements December 31, 2016

Capital Assets

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

The costs of normal maintenance and repairs that do not add to the value of the assets 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 using the straight-line method. Depreciation on property that will remain assets of the District is reported on the Statement of Activities as a current charge. Improvements that will be conveyed to other governmental entities are classified as construction in progress and are not depreciated. Land and certain landscaping improvements are not depreciated. No depreciation expense was recognized during 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 taxpayers' election, in February and June. Delinquent taxpayers are notified in July or August and the sales of the resultant tax liens on delinquent properties are generally 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 inflows in the year they are levied and measurable since they are not normally available nor are they budgeted as a resource until the subsequent year. The deferred property taxes are recorded as revenue in the subsequent year when they are available or collected.

Fund Equity

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications make the nature and extent of the constraints placed on a government's fund balance more transparent:

GREAT WESTERN PARK METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements December 31, 2016

Nonspendable Fund Balance

Nonspendable fund balance includes amounts that cannot be spent because they are either not spendable in form (such as inventory or prepaids) or are legally or contractually required to be maintained intact.

The nonspendable fund balance in the General Fund in the amount of \$250 represents prepaid expenditures.

Restricted Fund Balance

The restricted fund balance includes amounts restricted for a specific purpose by external parties such as grantors, bondholders, constitutional provisions or enabling legislation.

The restricted fund balance in the General Fund represents Emergency Reserves that have been provided as required by Article X, Section 20 of the Constitution of the State of Colorado. A total of \$990 of the General Fund balance has been restricted in compliance with this requirement.

The restricted fund balance in the Debt Service Fund in the amount of \$75,774 is restricted for the payment of the debt service costs (see Note 4).

Committed Fund Balance

The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by a 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

Assigned fund balance includes amounts the District intends to use for a specific purpose. Intent can be expressed by the District's Board of Directors or by an official or body to which the Board of Directors delegates the authority.

Unassigned Fund Balance

Unassigned fund balance includes amounts that are available for any purpose. Positive amounts are reported only in the General Fund, all other funds can report negative amounts.

For the classification of Governmental Fund balances, the District considers an expenditure to be made from the most restrictive first when more than one classification is available.

GREAT WESTERN PARK METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements
December 31, 2016

Net Position

Net Position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The District reports three categories of net position, as follows:

Net investment in capital assets – consists of net capital assets, reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows or resources related to those assets.

Restricted net position – net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

Unrestricted net position – consists of all other net position that does not meet the definition of the above two components and is available for general use by the District.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District will use the most restrictive net position first.

Note 2: Cash and Investments

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

Statement of Net Position:

Cash and investments	\$ 9,577
Cash and investments - Restricted	<u>109,477</u>
Total	<u>\$ 119,054</u>

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

Deposits with financial institutions	\$ 3,573
Investments - COLOTRUST	<u>115,481</u>
	<u>\$ 119,054</u>

GREAT WESTERN PARK METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements
December 31, 2016

Deposits:

Custodial Credit Risk

The Colorado Public Deposit Protection Act, (“PDPA”) requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. 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 is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 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.

The District does not have a formal policy for deposits; however the District follows State statutes regarding deposits. None of the District’s deposits were exposed to custodial credit risk.

Investments:

Credit Risk

The District has adopted an investment policy by which it follows state statutes regarding investments. Colorado statutes specify the types of investments meeting defined rating and risk criteria in which local governments may invest. These investments include obligations of the United States and certain U.S. Government agency entities, certain money market funds, guaranteed investment contracts, and local government investment pools.

Custodial and Concentration of Credit Risk

None of the District’s investments are subject to custodial or concentration of credit risk.

Interest Rate Risk

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors.

GREAT WESTERN PARK METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements December 31, 2016

Investment Valuation

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

The District has the following recurring fair value measurements as of December 31, 2016:

<u>Investments</u>	<u>Maturity</u>	<u>Fair Value</u>
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted average under 60 days	\$ 115,481

An external investment pool that records its investments at fair value. The investment in COLOTRUST is categorized as a Level 2 Investment.

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

COLOTRUST

The local government investment pool, Colorado Local Government Liquid Asset Trust (“COLOTRUST”) is rated AAAM by Standard & Poor’s with a weighted average maturity of under 60 days, a Level 2 investment under the fair value hierarchy. COLOTRUST is an investment trust/joint ventures 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 trusts operate similarly to a money market fund with each share maintaining a value of \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both investments consist of U.S. Treasury bills and notes and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. Designated custodian banks provide safekeeping and depository services to the trusts. Substantially all securities owned by the trusts are held by the Federal Reserve Bank in the accounts maintained for the custodian banks. The custodians’ internal records identify the investments owned by COLOTRUST. At December 31, 2016, the District had \$115,481 invested in COLOTRUST.

GREAT WESTERN PARK METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements
December 31, 2016

Note 3: Capital Assets

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

<u>Governmental Type Activities:</u>	<u>Balance</u> <u>1/1/2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2016</u>
<u>Capital assets not being depreciated:</u>				
Construction in progress	\$ 11,808,860	\$ 6,697	\$ 11,815,557	\$ -
Government type assets, net	<u>\$ 11,808,860</u>	<u>\$ 6,697</u>	<u>\$ 11,815,557</u>	<u>\$ -</u>

In 2016, all capital assets have been conveyed by the District to other local governments. The District will not be responsible for maintenance.

Note 4: Long Term Debt

The following is an analysis of changes in long-term debt for the period ending December 31, 2016:

	<u>Balance</u> <u>1/1/2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2016</u>
Nonrevolving Line of Credit - Series 2010	\$ 12,600,000	\$ -	\$ 12,600,000	\$ -
Accrued interest - Series 2010 Note	1,303,320	483,799	1,787,119	-
Developer advances - oper. & maint.	232,363	34,877	-	267,240
Developer advances - accrued interest	88,971	19,370	-	108,341
Developer advances - capital	126,869	25,923	152,792	-
Developer advances - accrued interest	44,467	11,477	55,944	-
	<u>\$ 14,395,990</u>	<u>\$ 575,446</u>	<u>\$ 14,595,855</u>	<u>\$ 375,581</u>

A description of the long-term obligations as of December 31, 2016, is as follows:

Non-Revolving Line of Credit Note, Series 2010. On November 1, 2010, the District issued a Subordinate Non-Revolving Line of Credit Note, Series 2010 (the "Note") not to exceed \$9,620,000 with for the purpose of reimbursing costs of designing, constructing, acquiring, installing and funding the purchases price for the acquisition of certain infrastructure improvements. The Note bears interest at the rate of 7% per annum, payable annually on and December 15. Any interest not paid when due will compound annually on December 15th, commencing December 15, 2011. The note is held by Great Western Park, LLC (the "Developer"). As of December 31, 2015, there was \$12,600,000 advanced to the District with accrued interest owed of \$1,303,320. In 2016, a portion of the note was repaid to the Developer and the remaining amount was defeased in its entirety.

GREAT WESTERN PARK METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements December 31, 2016

On July 26, 2016, District No. 2 issued its General Obligation Bonds (Limited Tax Convertible to Unlimited Tax), Series 2016A, in the amount of \$11,045,000, and its Subordinate General Obligation Limited Tax Bonds, Series 2016B, in the amount of \$1,555,000. District No. 2 transferred \$8,203,916 to the District for the purposes of repayment to the Developer. The District and the Developer executed a Termination of Non-revolving Line of Credit Note, Series 2010, one June 30, 2016.

Operation Funding Agreement. On December 23, 2008, the District entered into an Operation Funding Agreement with Great Western Park, LLC (“the Developer”). The District anticipates that it will not have sufficient funds to make the payment of its operations and maintenance expenses; therefore pursuant to this agreement the Developer advances funds to meet any shortfalls. The advances earn interest from the date the moneys are deposited into the District’s account at the rate 9% per annum. The Developer agreed to advance up to \$250,000 to the District for operation and maintenance shortfalls through December 31, 2013. On November 19, 2013, this agreement was amended to extend the funding obligation through fiscal year 2014.

On November 18, 2014, this agreement was further amended to increase the total shortfall amount to \$280,000 and to extend the funding obligation through fiscal year 2015. On November 17, 2015, the agreement was further amended to increase the total shortfall amount to \$300,000 and to extend the funding obligation through fiscal year 2016. On November 15, 2016, this agreement was further amended to extend the funding obligation through fiscal year 2020. As of December 31, 2016, advances totaling \$267,240 have been made under this agreement. The outstanding interest on these advances is \$108,341.

Second Amended and Restated Facilities Funding Agreement dated June 25, 2013, and effective December 17, 2008. On December 23, 2008, the District entered into a Facilities Funding and Acquisition Agreement with the Developer (“Original FFAA”). The Original FFAA was amended and restated on December 17, 2008 per the Amended and Restated Facilities and Acquisition Agreement, and was further amended and restated on June 25, 2013 per the Second Amended and Restated Facilities Funding Agreement (“Funding Agreement”). The Developer has agreed to advance funds to the District to design, construct and complete the infrastructure improvements within the District outlined in the Service Plan in an amount not to exceed \$9,620,000 as needed for fiscal years 2008 through 2040. In lieu of advancing funds to the District, the Developer may complete such improvements subject to future acceptance and acquisition by the District. Any advances made under the Funding Agreement will earn interest of 8% per annum. The Funding Agreement was terminated on June 30, 2016, therefore, any obligation of the District to repay the amounts owed were dismissed in their entirety.

GREAT WESTERN PARK METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements
December 31, 2016

Note 5: Debt Authorization

On November 4, 2008, the District voted debt authorization of approximately \$295,600,000. On November 6, 2012, the District voted debt authorization of \$976,000,000. Per the District's Service Plan, the District cannot issue debt in excess of \$97,200,000. As of December 31, 2016, the District has approximately \$1,259,000,000 in authorized but unissued debt outstanding. The District has not budgeted to issue any new debt during 2017.

Note 6: Related Party

All of the Board of Directors are employees, owners or are otherwise associated with the Developer and may have conflicts of interest in dealing with the District. Management believes that all potential conflicts, if any, have been disclosed to the Board.

Note 7: Commitments

Facilities Funding, Construction and Operations Agreement. On November 27, 2012, the District entered into a Facilities Funding, Construction and Operations Agreement by and between District No. 1 and District No. 2 ("FFCOA"), under which the District coordinates the financing, acquisition, construction, installation, completion, operation, maintenance and repair of public improvements and the management, administration and provision of services as defined by the Service Plan. District No. 2 will financially support the repayment of bonds and other obligations incurred in connection with the completion, operation, maintenance and repair of public improvements and the management, administration and provision of services by District No. 1. The FFCOA was terminated effective June 30, 2016.

Capital Pledge Agreement. On November 1, 2010, the District entered into a Capital Pledge Agreement with District No. 2 whereby District No. 2 has pledged certain revenues from a required mill levy to support repayment of the Note. The required mill levy is imposed on all property within District No. 2 in the amount of 35 mills, subject to adjustment for changes in the method of calculating assessed value of the property within District No. 2 under State statutes, but in no case in excess of 50 mills. Additionally, District No. 2 has pledged to District No. 1 any current or future fees imposed by District No. 2 for construction and / or acquisition of capital improvements and / or water. On June 30, 2016, the District and District No. 2 terminated this agreement and the Note due to the issuance to the Series 2016A and 2016B Bonds by District No. 2.

GREAT WESTERN PARK METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements
December 31, 2016

Note 8: Tax, Spending and Debt Limitations

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer 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 November 4, 2008, a majority of the District’s electors authorized the District to collect and spend or retain in a reserve all currently levied taxes and fees of the District without regard to any limitations under Article X, Section 20 of the Colorado Constitution.

Note 9: Risk Management

Except as provided in the Colorado Governmental Immunity Act, 24-10-101, et seq., CRS, the District may be exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors or omissions; injuries to agents; and natural disasters. The District has elected to participate in the Colorado Special Districts Property and Liability Pool (“Pool”) which is an organization created by intergovernmental agreement to provide common liability and casualty insurance coverage to its members at a cost that is considered economically appropriate. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for auto, public officials’ liability, and property and general liability coverage. In the event aggregated losses incurred by the Pool exceed its amounts recoverable from reinsurance contracts and its accumulated reserves, the District may be called upon to make additional contributions to the Pool on the basis proportionate to other 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.

GREAT WESTERN PARK METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements
December 31, 2016

Note 10: Reconciliation of Government-Wide Financial Statements and Fund Financial Statements

The *Governmental Funds Balance Sheet/Statement of Net Position* includes an adjustments column. The adjustments have the following elements:

- 1) capital improvements used in government activities are not financial resources and, therefore are not reported in the funds; and
- 2) long-term liabilities such as bonds payable and accrued bond interest payable are not due and payable in the current period and, therefore, are not in the funds.

The *Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities* includes an adjustments column. The adjustments have the following elements:

- 1) governmental funds report capital outlays as expenditures, however, in the statement of activities, the costs of those assets are held as construction in process pending transfer to other governmental entities or depreciated over their useful lives;
- 2) governmental funds report interest expense on the modified accrual basis; however, interest expense is reported on the full accrual method on the Statement of Activities;
- 3) governmental funds report developer advances as revenue; and,
- 4) governmental funds report long-term debt payments as expenditures, however, in the statement of activities, the payment of long-term debt is recorded as a decrease of long-term liabilities.

SUPPLEMENTAL INFORMATION

GREAT WESTERN PARK METROPOLITAN DISTRICT NO. 1

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - DEBT SERVICE FUND

For the Year Ended December 31, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES				
Interest income	\$ -	\$ -	\$ 511	\$ 511
Transfer from other governments	<u>105,192</u>	<u>8,242,403</u>	<u>8,278,601</u>	<u>36,198</u>
Total Revenues	<u>105,192</u>	<u>8,242,403</u>	<u>8,279,112</u>	<u>36,709</u>
EXPENDITURES				
Repay line of credit note - interest	-	1,346,814	1,346,814	-
Repay line of credit note - principal	-	6,857,102	6,857,102	-
Interest expense	<u>106,195</u>	<u>39,490</u>	<u>39,490</u>	<u>-</u>
Total Expenditures	<u>106,195</u>	<u>8,243,406</u>	<u>8,243,406</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(1,003)	(1,003)	35,706	36,709
FUND BALANCE:				
BEGINNING OF YEAR	<u>1,003</u>	<u>1,003</u>	<u>40,068</u>	<u>39,065</u>
END OF YEAR	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 75,774</u></u>	<u><u>\$ 75,774</u></u>

The notes to the financial statements are an integral part of these statements.

GREAT WESTERN PARK METROPOLITAN DISTRICT NO. 1

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - CAPITAL PROJECTS FUND

For the Year Ended December 31, 2016

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES				
Interest income	\$ -	\$ -	\$ -	\$ -
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES				
Accounting	4,380	4,412	3,493	919
Legal	4,000	4,000	8,800	(4,800)
Management	4,500	4,500	2,019	2,481
Engineering	-	11,088	6,697	4,391
Total Expenditures	<u>12,880</u>	<u>24,000</u>	<u>21,009</u>	<u>2,991</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(12,880)	(24,000)	(21,009)	2,991
OTHER FINANCING SOURCES (USES)				
Developer advances	<u>12,880</u>	<u>24,000</u>	<u>21,009</u>	<u>(2,991)</u>
Total Other Financing Sources (Uses)	<u>12,880</u>	<u>24,000</u>	<u>21,009</u>	<u>(2,991)</u>
NET CHANGE IN FUND BALANCE	-	-	-	-
FUND BALANCE:				
BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of these statements.