

GREAT WESTERN PARK  
METROPOLITAN DISTRICT NO. 2

Financial Statements

Year Ended December 31, 2016

with

Independent Auditors' Report



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*By the Office of the State Auditor at 8:58 am, Nov 16, 2017*

## C O N T E N T S

	<u>Page</u>
<u>Independent Auditors' Report</u>	I
<u>Basic Financial Statements</u>	
Balance Sheet/Statement of Net Position - Governmental Funds	1
Statement of Revenues, Expenditures and Changes in Fund Balances/Statement of Activities - Governmental Funds	2
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	3
Notes to Financial Statements	4
<u>Supplemental Information</u>	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Debt Service Fund	20
Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - Capital Projects Fund	21
Summary of Assessed Valuation, Mill Levy and Property Taxes Collected	22

Board of Directors  
Great Western Park Metropolitan District No. 2  
County of Broomfield, 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. 2, 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. 2 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. 2'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  
October 31, 2017

## Great Western Park Metropolitan District No. 2

### 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>
<b>ASSETS</b>						
Cash and investments	\$ -	\$ -	\$ 29,662	\$ 29,662	\$ -	\$ 29,662
Cash and investments - restricted	-	1,958,219	2,019,650	3,977,869	-	3,977,869
Property taxes receivable	28,510	244,203	-	272,713	-	272,713
Receivable - Developer advances	15,051	-	-	15,051	(15,051)	-
Receivable - District No. 1	11,176	34,158	2,598	47,932	-	47,932
Prepaid expenses	<u>2,738</u>	<u>-</u>	<u>-</u>	<u>2,738</u>	<u>-</u>	<u>2,738</u>
Total Assets	<u>\$ 57,475</u>	<u>\$ 2,236,580</u>	<u>\$ 2,051,910</u>	<u>\$ 4,345,965</u>	<u>(15,051)</u>	<u>4,330,914</u>
<b>LIABILITIES</b>						
Accounts payable	\$ 28,965	\$ -	\$ 1,335	\$ 30,300	-	30,300
Accrued interest on bonds	-	-	-	-	45,050	45,050
Long-term liabilities:						
Due in more than one year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,841,591</u>	<u>12,841,591</u>
Total Liabilities	<u>28,965</u>	<u>-</u>	<u>1,335</u>	<u>30,300</u>	<u>12,886,641</u>	<u>12,916,941</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred property tax revenue	<u>28,510</u>	<u>244,203</u>	<u>-</u>	<u>272,713</u>	<u>-</u>	<u>272,713</u>
Total Deferred Inflows of Resources	<u>28,510</u>	<u>244,203</u>	<u>-</u>	<u>272,713</u>	<u>-</u>	<u>272,713</u>
<b>FUND BALANCES/NET POSITION</b>						
Fund Balances:						
Nonspendable:						
Prepays	2,738	-	-	2,738	(2,738)	-
Restricted:						
Emergencies	1,087	-	-	1,087	(1,087)	-
Debt service	-	1,992,377	-	1,992,377	(1,992,377)	-
Capital projects	-	-	2,050,575	2,050,575	(2,050,575)	-
Unassigned	<u>(3,825)</u>	<u>-</u>	<u>-</u>	<u>(3,825)</u>	<u>3,825</u>	<u>-</u>
Total Fund Balances	<u>-</u>	<u>1,992,377</u>	<u>2,050,575</u>	<u>4,042,952</u>	<u>(4,042,952)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 57,475</u>	<u>\$ 2,236,580</u>	<u>\$ 2,051,910</u>	<u>\$ 4,345,965</u>		
Net Position:						
Net investment in capital assets					(12,841,591)	(12,841,591)
Restricted for:						
Emergencies					1,087	1,087
Debt service					1,947,327	1,947,327
Capital projects					2,050,575	2,050,575
Unrestricted					<u>(16,138)</u>	<u>(16,138)</u>
Total Net Position					<u>\$ (8,858,740)</u>	<u>\$ (8,858,740)</u>

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

## Great Western Park Metropolitan District No. 2

### 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>
<b>EXPENDITURES</b>						
Accounting and audit	\$ 3,194	\$ -	\$ 1,874	\$ 5,068	\$ -	\$ 5,068
Election expense	13	-	-	13	-	13
Insurance	409	-	-	409	-	409
Legal	19,817	-	13,880	33,697	-	33,697
Management fees	4,034	-	1,497	5,531	-	5,531
Miscellaneous expenses	1,431	-	-	1,431	-	1,431
Treasurer's fees	223	1,569	-	1,792	-	1,792
Bond interest expense	-	187,708	-	187,708	41,311	229,019
Bond issuance costs	-	-	432,545	432,545	-	432,545
Transfer to District No. 1	10,771	74,685	8,203,916	8,289,372	-	8,289,372
Developer reimbursement	-	-	48,176	48,176	(48,176)	-
	<u>39,892</u>	<u>263,962</u>	<u>8,701,888</u>	<u>9,005,742</u>	<u>(6,865)</u>	<u>8,998,877</u>
<b>Total Expenditures</b>						
<b>GENERAL REVENUES</b>						
Property taxes	14,842	104,579	-	119,421	-	119,421
Specific ownership taxes	824	5,809	-	6,633	-	6,633
Interest income	5	7,083	6,825	13,913	-	13,913
	<u>15,671</u>	<u>117,471</u>	<u>6,825</u>	<u>139,967</u>	<u>-</u>	<u>139,967</u>
<b>Total General Revenues</b>						
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(24,221)	(146,491)	(8,695,063)	(8,865,775)	6,865	(8,858,910)
<b>OTHER FINANCING SOURCES (USES)</b>						
Bond proceeds	-	-	12,600,000	12,600,000	(12,600,000)	-
Bond premium	-	-	236,330	236,330	(236,330)	-
Developer advances	24,051	-	48,176	72,227	(72,227)	-
Transfers in	-	2,138,868	-	2,138,868	(2,138,868)	-
Transfers out	-	-	(2,138,868)	(2,138,868)	2,138,868	-
	<u>24,051</u>	<u>2,138,868</u>	<u>10,745,638</u>	<u>12,908,557</u>	<u>(12,908,557)</u>	<u>-</u>
<b>Total Other Financing Sources (Uses)</b>						
<b>NET CHANGES IN FUND BALANCES</b>	(170)	1,992,377	2,050,575	4,042,782	(4,042,782)	
<b>CHANGE IN NET POSITION</b>					(8,858,910)	(8,858,910)
<b>FUND BALANCES/NET POSITION:</b>						
BEGINNING OF YEAR	<u>170</u>	<u>-</u>	<u>-</u>	<u>170</u>	<u>-</u>	<u>170</u>
END OF YEAR	<u>\$ -</u>	<u>\$ 1,992,377</u>	<u>\$ 2,050,575</u>	<u>\$ 4,042,952</u>	<u>\$(12,901,692)</u>	<u>\$ (8,858,740)</u>

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

## Great Western Park Metropolitan District No. 2

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

For the Year Ended December 31, 2016

	<u>Original</u> <u>Budget</u>	<u>Final</u> <u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Property taxes	\$ 14,842	\$ 14,842	\$ 14,842	\$ -
Specific ownership taxes	310	310	824	514
Interest income	-	-	5	5
	<u>15,152</u>	<u>15,152</u>	<u>15,671</u>	<u>519</u>
<b>EXPENDITURES</b>				
Accounting and audit	-	3,200	3,194	6
Election expense	-	13	13	-
Insurance	-	409	409	-
Legal	-	20,000	19,817	183
Management fees	-	4,100	4,034	66
Miscellaneous expenses	-	1,450	1,431	19
Treasurer's fees	223	223	223	-
Transfer to District No. 1	14,645	14,645	10,771	3,874
Contingency	-	24,606	-	24,606
Emergency reserve	454	454	-	454
	<u>15,322</u>	<u>69,100</u>	<u>39,892</u>	<u>29,208</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER</b>				
<b>EXPENDITURES</b>	(170)	(53,948)	(24,221)	29,727
<b>OTHER FINANCING SOURCES (USES)</b>				
Developer advances	-	53,778	24,051	(29,727)
	<u>-</u>	<u>53,778</u>	<u>24,051</u>	<u>(29,727)</u>
<b>NET CHANGE IN FUND BALANCE</b>	(170)	(170)	(170)	-
<b>FUND BALANCE:</b>				
BEGINNING OF YEAR	<u>170</u>	<u>170</u>	<u>170</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.

## GREAT WESTERN PARK METROPOLITAN DISTRICT NO. 2

### 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. 2 (the “District”), located in Broomfield County, Colorado, (the “County”) 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. 1 (“District No. 1”). 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 Service District. The District was established to provide financing for construction of streets, water, sanitation, traffic and safety protection, and parks and recreational improvements. Previously, the three districts worked together to provide the necessary public improvements and services as required serving the development. 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.

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. 29, *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. 2

### 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. 2

### 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 July 2016, the District amended its total appropriations in the Capital Projects Fund from \$6,000,000 to \$12,600,000 and in the Debt Service Fund from \$106,761 to \$12,600,000 primarily due to the issuance of the Series 2016A and 2016B Bonds. In November 2016, the District amended its total appropriations General Fund from \$15,322 to \$69,100 primarily due to the District taking over the payment of its own invoices. In November 2016, the Capital Projects Fund was erroneously amended from \$12,600,000 to \$8,300,000, therefore the Capital Projects Fund was further amended from \$8,300,000 to \$10,840,756.

#### Assets, Liabilities, Deferred Inflows/Inflows of Resources 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.

##### 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.

## GREAT WESTERN PARK METROPOLITAN DISTRICT NO. 2

### Notes to Financial Statements December 31, 2016

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 has no qualifying items 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 one type of items that qualify for reporting in this category. Deferred property taxes are deferred and recognized as an inflow of resources in the period that the amounts become available.

#### 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.

## GREAT WESTERN PARK METROPOLITAN DISTRICT NO. 2

### Notes to Financial Statements December 31, 2016

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.

#### 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.

#### 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:

#### 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.

## GREAT WESTERN PARK METROPOLITAN DISTRICT NO. 2

### Notes to Financial Statements December 31, 2016

The nonspendable fund balance in the General Fund in the amount of \$2,738 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 \$1,087 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 \$1,992,377 is restricted for the payment of the debt service costs associated with the General Obligation Refunding Bonds Series 2016A and 2016B (see Note 3).

The restricted fund balance in the Capital Projects Fund in the amount of \$2,050,575 is restricted for the payment of the costs for capital improvements within the District.

#### 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. 2

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	\$ 29,662
Cash and investments - Restricted	<u>3,977,869</u>
Total	<u>\$ 4,007,531</u>

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

Deposits with financial institutions	\$ 29,662
Investments - COLOTRUST	<u>3,977,869</u>
	<u>\$ 4,007,531</u>

## GREAT WESTERN PARK METROPOLITAN DISTRICT NO. 2

### 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.

##### 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).

GREAT WESTERN PARK METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements  
December 31, 2016

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	\$ 3,977,869

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 \$3,977,869 invested in COLOTRUST.

GREAT WESTERN PARK METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements  
December 31, 2016

Note 3: Long Term Debt

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

General Obligation Bonds (Limited Tax Convertible to Unlimited Tax), Series 2016A – The District issued its General Obligation Bonds (Limited Tax Convertible to Unlimited Tax), Series 2016A on July 26, 2016, in the original principal amount of \$11,045,000 (“Series 2016A Bonds”). The Series 2016A Bonds are term bonds, of which \$1,165,000 bears interest at 4.000% and matures December 1, 2026, and of which \$9,880,000 bears interest at 5.000% and matures December 1, 2046. Interest is payable semiannually on each June 1 and December 1, commencing on December 1, 2016. Those Series 2016A Bonds maturing December 1, 2026 are subject to mandatory sinking fund redemption commencing on December 1, 2020. Those Series 2016A Bonds maturing December 1, 2046 are subject to mandatory sinking fund redemption commencing December 1, 2027. The Series 2016A Bonds are also subject to redemption prior to maturity at the option of the District beginning December 1, 2021, and on any date thereafter, upon payment of the principal amount redeemed, accrued interest, and a redemption premium that ranges between 0% and 3%.

The Series 2016A Bonds are secured by pledged revenues, including revenues derived from the required mill levy of 42.827 mills, Capital Fees, if any, specific ownership taxes used for debt service, and any other legally available moneys which the District determines to credit to the payment of the Series 2016A Bonds. The Series 2016A Bonds are also secured by the Senior Reserve Fund in the amount of \$871,750 and the Senior Surplus Fund up to a maximum amount of \$1,104,500. The Senior Surplus Fund can be released when the ratio of the outstanding Series 2016A Bonds and all other outstanding Senior Bonds of the District to the District’s assessed valuation is 50% or less.

Subordinate General Obligation Limited Tax Bonds, Series 2016B – The District issued \$1,555,000 of Subordinate General Obligation Limited Tax Bonds, Series 2016B (“Series 2016B Bonds”) on July 26, 2016. The Series 2016B Bonds bear interest at the rate of 7.250% payable annually on December 15 of each year, commencing December 15, 2016. The Series 2016B Bonds are cash flow bonds with annual payments anticipated to be made on December 15. Unpaid interest compounds annually on December 15. Failure to pay the principal will not constitute an event of default under the Subordinate Indenture. Payments toward interest and principal can be made provided the Series 2016A Bonds (and any other Senior Bonds outstanding) are current and the Reserve and Surplus Funds for the Series 2016A Bonds and any other Senior Bonds are full. The Series 2016B Bonds will be discharged on December 16, 2056.

GREAT WESTERN PARK METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements  
December 31, 2016

The Series 2016B Bonds are secured by and payable from the following sources, net of any costs of collection (the "Subordinate Pledged Revenue"): (a) the Subordinate Required Mill Levy; (b) the Subordinate Capital Fee Revenue, if any; (c) the portion of the Specific Ownership Tax which is collected as a result of the imposition of the Subordinate Required Mill Levy; (d) the amounts, if any, in the Senior Surplus Fund after the termination of such fund pursuant to the Senior Indenture; and (e) any other legally available moneys which the District determines, in its absolute discretion, to transfer to the Trustee for application as Subordinate Pledged Revenue.

The following is a summary of the annual long-term debt principal and interest requirements of the Series 2016A Bonds.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ -	\$ 540,600	\$ 540,600
2018	-	540,600	540,600
2019	-	540,600	540,600
2020	55,000	540,600	595,600
2021	145,000	538,400	683,400
2022 - 2026	965,000	2,591,800	3,556,800
2027 - 2031	1,385,000	2,341,500	3,726,500
2032 - 2036	1,990,000	1,938,000	3,928,000
2037 - 2041	2,755,000	1,368,250	4,123,250
2042 - 2046	<u>3,750,000</u>	<u>585,000</u>	<u>4,335,000</u>
	<u>\$ 11,045,000</u>	<u>\$ 11,525,350</u>	<u>\$ 22,570,350</u>

Due to the uncertainty of the timing of the principal and interest payments on the Series 2016B Bonds, a schedule of the timing of the payments is not available.

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>	<u>Current</u> <u>Portion</u>
General Obligation Bonds - Series 2016A	\$ -	\$ 11,045,000	\$ -	\$ 11,045,000	\$ -
Subordinate General Obligation Bonds - Series 2016B	-	1,555,000	-	1,555,000	-
Developer advances - operations	-	9,000	-	9,000	-
Accrued interest - operations	-	48	-	48	-
Developer advances - capital projects	-	48,476	48,476	-	-
Total	<u>-</u>	<u>12,657,524</u>	<u>48,476</u>	<u>12,609,048</u>	<u>-</u>
Original issue premium - Series 2016A	<u>-</u>	<u>236,330</u>	<u>3,787</u>	<u>232,543</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ 12,893,854</u>	<u>\$ 52,263</u>	<u>\$ 12,841,591</u>	<u>\$ -</u>

## GREAT WESTERN PARK METROPOLITAN DISTRICT NO. 2

### Notes to Financial Statements December 31, 2016

#### Debt Authorization

As of December 31, 2016, the District had remaining voted debt authorization of approximately \$142,600,000. On November 4, 2008, the District voted debt authorization of approximately \$39,800,000. In November 2012, the District voted an increase in debt authorization to \$128,000,000. The District has not budgeted to issue any new debt during 2017. Per the District's Service Plan, the District cannot issue debt in excess of \$12,600,000.

#### Note 4: 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 5: Commitments and Agreements

Operation Funding Agreement – On June 30, 2016, the District entered into the Operation Funding Agreement (the "Agreement"), with Great Western Park, LLC (the "Developer"), whereby the Developer agreed to advance up to \$35,000 to the District for operations and maintenance expenses incurred in fiscal years 2016 and 2017. Such advances will accrue simple interest from the date of deposit into the District's account at the rate of 8% per annum. The District agreed to reimburse the Developer amounts advanced subject to annual budget and appropriation. The obligation of the District to reimburse the Developer expires on December 31, 2048. Any amounts of principal and interest owed on or before December 31, 2048, shall be deemed to be forever discharged and satisfied in full. On November 15, 2016, this Agreement was amended to increase the total shortfall amount to \$53,803. As of December 31, 2016, the Developer has advanced the District \$9,000. Accrued interest was \$48.

Facilities Funding, Construction and Operations Agreement – On November 27, 2012, the District entered into a Facilities Funding, Construction and Operations Agreement ("FFCOA"), with District No. 1, under which District No. 1 would coordinate 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. The District would 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.

## GREAT WESTERN PARK METROPOLITAN DISTRICT NO. 2

### Notes to Financial Statements December 31, 2016

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

Facilities Funding and Acquisition Agreement – On July 1, 2016, the District and the Developer entered into a Facilities Funding and Acquisition Agreement whereby the District acknowledged that the Developer has previously expended funds pursuant to a funding agreement between District No. 1 and the Developer (the "District No. 1 Funding Agreement"). Specifically, the Developer funded and/or District No. 1 acquired \$12,600,000 of public improvements and the Developer funded certain organizational expenses relative to the District. The District agreed that upon the termination of the FFCOA that it would reimburse the Developer for those costs incurred by the Developer under the District No. 1 Funding Agreement.

#### Note 6: 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.

## GREAT WESTERN PARK METROPOLITAN DISTRICT NO. 2

### Notes to Financial Statements December 31, 2016

On November 6, 2012, 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 7: 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.

Note 8: Interfund and Operating Transfers

The transfer of \$2,138,868 from the Capital Projects Fund to Debt Service Fund was transferred for the purpose of the issuance of the Series 2016A and Series 2016B Bonds (see note 3).

Note 9: 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.

GREAT WESTERN PARK METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements  
December 31, 2016

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 and/or bond proceeds 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. 2

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

For the Year Ended December 31, 2016

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
<b>REVENUES</b>				
System development fees	\$ -	\$ -	\$ -	\$ -
Property taxes	104,581	104,581	104,579	(2)
Specific ownership taxes	2,180	2,180	5,809	3,629
Interest income	<u>-</u>	<u>-</u>	<u>7,083</u>	<u>7,083</u>
Total Revenues	<u>106,761</u>	<u>106,761</u>	<u>117,471</u>	<u>10,710</u>
<b>EXPENDITURES</b>				
Bond interest expense	-	187,708	187,708	-
Transfer to District No. 1	105,192	74,685	-	74,685
Repayment to developer	-	12,336,038	74,685	12,261,353
Treasurer's fees	<u>1,569</u>	<u>1,569</u>	<u>1,569</u>	<u>-</u>
Total Expenditures	<u>106,761</u>	<u>12,600,000</u>	<u>263,962</u>	<u>12,336,038</u>
		-		
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	-	(12,493,239)	(146,491)	12,346,748
<b>OTHER FINANCING SOURCES (USES)</b>				
Bond proceeds	-	12,493,239	-	(12,493,239)
Transfers in	<u>-</u>	<u>-</u>	<u>2,138,868</u>	<u>2,138,868</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>12,493,239</u>	<u>2,138,868</u>	<u>(10,354,371)</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	-	1,992,377	1,992,377
<b>FUND BALANCE:</b>				
BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,992,377</u>	<u>\$ 1,992,377</u>

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

## Great Western Park Metropolitan District No. 2

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

For the Year Ended December 31, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>				
Interest income	\$ -	\$ -	\$ 6,825	\$ 6,825
Total Revenues	<u>-</u>	<u>-</u>	<u>6,825</u>	<u>6,825</u>
<b>EXPENDITURES</b>				
Accounting and audit	-	2,000	1,874	126
Legal	-	14,000	13,880	120
Management fees	-	1,500	1,497	3
Bond issuance costs	-	440,000	432,545	7,455
Transfer to District No. 1	6,000,000	8,195,388	8,203,916	(8,528)
Developer reimbursement	<u>-</u>	<u>49,000</u>	<u>48,176</u>	<u>824</u>
Total Expenditures	<u>6,000,000</u>	<u>8,701,888</u>	<u>8,701,888</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(6,000,000)	(8,701,888)	(8,695,063)	6,825
<b>OTHER FINANCING SOURCES (USES)</b>				
Bond proceeds	6,000,000	8,300,000	12,600,000	4,300,000
Bond premium	-	-	236,330	236,330
Developer advances	-	-	48,176	48,176
Transfers out	<u>-</u>	<u>(2,138,868)</u>	<u>(2,138,868)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>6,000,000</u>	<u>6,161,132</u>	<u>10,745,638</u>	<u>4,584,506</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	(2,540,756)	2,050,575	4,591,331
<b>FUND BALANCE:</b>				
BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
END OF YEAR	<u>\$ -</u>	<u>\$ (2,540,756)</u>	<u>\$ 2,050,575</u>	<u>\$ 4,591,331</u>

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

## Great Western Park Metropolitan District No. 2

### SUMMARY OF ASSESSED VALUATION, MILL LEVY AND PROPERTY TAXES COLLECTED

December 31, 2016

(Unaudited)

<u>Year Ended December 31,</u>	<u>Prior Year Assessed Valuation for Current Year Property Tax Levy</u>	<u>Mills Levied</u>		<u>Total Property Tax</u>		<u>Percent Collected to Levied</u>
		<u>General Fund</u>	<u>Debt Service</u>	<u>Levied</u>	<u>Collected</u>	
2010	\$ 4,670	40.232	0.000	\$ 188	\$ 189	100.59%
2011	\$ 4,860	40.232	0.000	\$ 196	\$ 197	100.75%
2012	\$ 4,860	5.000	35.232	\$ 196	\$ 196	100.24%
2013	\$ 4,860	5.000	35.232	\$ 196	\$ 193	98.71%
2014	\$ 5,150	5.000	35.232	\$ 207	\$ 205	98.94%
2015	\$ 1,074,500	5.000	35.232	\$ 43,229	\$ 43,228	100.00%
2016	\$ 2,968,340	5.000	35.232	\$ 119,423	\$ 119,421	100.00%
Estimated for year ending December 31, 2017	\$ 5,702,080	5.000	42.827	\$ 272,713		

#### **NOTE**

Property taxes collected in any one year include collection of delinquent property taxes levied and/or abatements or valuations in prior years. Information received from the County Treasurer does not permit identification of specific year assessment.