

INTERLOCKEN CONSOLIDATED
METROPOLITAN DISTRICT

Financial Statements

Year Ended December 31, 2016
with
Independent Auditors' Report



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Board of Directors
Interlocken Consolidated Metropolitan District
Broomfield, Colorado

Independent Auditors' Report

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Interlocken Consolidated Metropolitan District

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 Interlocken Consolidated Metropolitan District's basic financial statements. The supplemental 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 supplemental 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 supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The continuing disclosure annual financial information, as listed in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Simmons & Wheeler P.C.

Englewood, CO
May 11, 2017

Interlocken Consolidated Metropolitan District

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

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS						
Cash and deposits	\$ 1,550,177	\$ -	\$ -	\$ 1,550,177	\$ -	\$ 1,550,177
Cash and investments - restricted	3,550	182,050	4,859,154	5,044,754	-	5,044,754
Property taxes receivable - current	30,999	-	-	30,999	-	30,999
Property taxes receivable	-	-	7,290,514	7,290,514	-	7,290,514
Capital assets						
Park and recreation facilities	-	-	-	-	7,027,796	7,027,796
Total Assets	<u>1,584,726</u>	<u>182,050</u>	<u>12,149,668</u>	<u>13,916,444</u>	<u>7,027,796</u>	<u>20,944,240</u>
DEFERRED OUTFLOWS OF RESOURCES						
Deferred loss on refunding	-	-	-	-	2,974,520	2,974,520
Total Deferred Outflows of Resources	-	-	-	-	<u>2,974,520</u>	<u>2,974,520</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 1,584,726</u>	<u>\$ 182,050</u>	<u>\$ 12,149,668</u>	<u>\$ 13,916,444</u>		
LIABILITIES						
Accounts payable	\$ 13,153	\$ -	\$ -	\$ 13,153	-	13,153
Accrued interest on bonds	-	-	-	-	139,180	139,180
Long-term liabilities						
Due within one year	-	-	-	-	2,895,000	2,895,000
Due in more than one year	-	-	-	-	84,430,000	84,430,000
Total Liabilities	<u>13,153</u>	<u>-</u>	<u>-</u>	<u>13,153</u>	<u>87,464,180</u>	<u>87,477,333</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred property taxes	-	-	7,290,514	7,290,514	-	7,290,514
Total Deferred Inflows of Resources	-	-	<u>7,290,514</u>	<u>7,290,514</u>	-	<u>7,290,514</u>
FUND BALANCE						
Restricted						
Emergencies	3,550	-	-	3,550	(3,550)	-
Capital projects	-	182,050	-	182,050	(182,050)	-
Debt service	-	-	4,859,154	4,859,154	(4,859,154)	-
Unassigned	<u>1,568,023</u>	<u>-</u>	<u>-</u>	<u>1,568,023</u>	<u>(1,568,023)</u>	<u>-</u>
Total Fund Balances	<u>1,571,573</u>	<u>182,050</u>	<u>4,859,154</u>	<u>6,612,777</u>	<u>(6,612,777)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,584,726</u>	<u>\$ 182,050</u>	<u>\$ 12,149,668</u>	<u>\$ 13,916,444</u>		
NET POSITION						
Restricted for:						
Emergencies					3,550	3,550
Capital projects					182,050	182,050
Debt service					4,719,974	4,719,974
Unrestricted					<u>(75,754,661)</u>	<u>(75,754,661)</u>
Total Net Position (Deficit)					<u>\$ (70,849,087)</u>	<u>\$ (70,849,087)</u>

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

Interlocken Consolidated Metropolitan District

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>Capital Projects</u>	<u>Debt Service</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
EXPENDITURES						
Accounting	\$ 26,396	\$ -	\$ -	\$ 26,396	\$ -	\$ 26,396
Insurance	4,476	-	-	4,476	-	4,476
Legal	44,480	-	-	44,480	-	44,480
Miscellaneous expense	4,552	-	-	4,552	-	4,552
Treasurer's fees	-	-	104,294	104,294	-	104,294
Office expense	906	-	-	906	-	906
Bond principal	-	-	2,815,000	2,815,000	(2,815,000)	-
Bond interest expense	-	-	3,260,426	3,260,426	423,150	3,683,576
Paying agent fees	-	-	3,750	3,750	-	3,750
Total Expenditures	<u>80,810</u>	<u>-</u>	<u>6,183,470</u>	<u>6,264,280</u>	<u>(2,391,850)</u>	<u>3,872,430</u>
GENERAL REVENUES						
Property taxes	-	-	6,925,262	6,925,262	-	6,925,262
Specific ownership taxes	395,249	-	-	395,249	-	395,249
Payment in lieu of taxes	-	-	68,511	68,511	-	68,511
Reimbursements	-	-	94,000	94,000	-	94,000
Interest income	295	93	1,969	2,357	-	2,357
Total General Revenues	<u>395,544</u>	<u>93</u>	<u>7,089,742</u>	<u>7,485,379</u>	<u>-</u>	<u>7,485,379</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	314,734	93	906,272	1,221,099	2,391,850	3,612,949
OTHER FINANCING SOURCES (USES)						
Conveyance of infrastructure	-	-	-	-	(305,827)	(305,827)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(305,827)</u>	<u>(305,827)</u>
NET CHANGE IN FUND BALANCES	314,734	93	906,272	1,221,099	(1,221,099)	
CHANGE IN NET POSITION					3,307,122	3,307,122
FUND BALANCE/NET POSITION:						
BEGINNING OF YEAR	<u>1,256,839</u>	<u>181,957</u>	<u>3,952,882</u>	<u>5,391,678</u>	<u>(79,547,887)</u>	<u>(74,156,209)</u>
END OF YEAR	<u>\$ 1,571,573</u>	<u>\$ 182,050</u>	<u>\$ 4,859,154</u>	<u>\$ 6,612,777</u>	<u>\$ (77,461,864)</u>	<u>\$ (70,849,087)</u>

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

Interlocken Consolidated Metropolitan District

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

For the Year Ended December 31, 2016

	Original & Final <u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Specific ownership taxes	\$ 360,000	\$ 395,249	\$ 35,249
Interest income	<u>265</u>	<u>295</u>	<u>30</u>
Total Revenues	<u>360,265</u>	<u>395,544</u>	<u>35,279</u>
EXPENDITURES			
Accounting	27,800	26,396	1,404
Insurance	3,900	4,476	(576)
Legal	75,000	44,480	30,520
Miscellaneous expense	7,700	4,552	3,148
Office expense	<u>3,925</u>	<u>906</u>	<u>3,019</u>
Total Expenditures	<u>118,325</u>	<u>80,810</u>	<u>37,515</u>
NET CHANGE IN FUND BALANCE	241,940	314,734	72,794
FUND BALANCE:			
BEGINNING OF YEAR	<u>1,223,079</u>	<u>1,256,839</u>	<u>33,760</u>
END OF YEAR	<u>\$ 1,465,019</u>	<u>\$ 1,571,573</u>	<u>\$ 106,554</u>

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

INTERLOCKEN CONSOLIDATED METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2016

Note 1: Summary of Significant Accounting Policies

Interlocken Consolidated Metropolitan District (District) was created in 1994, to consolidate Interlocken Metropolitan District and Westech Metropolitan District as a quasi-municipal corporation and political subdivision of the State of Colorado. The District's service area is located entirely within the City and County of Broomfield (City). Its purposes are, in part, to finance and construct street improvements, recreation facilities and services, water and sewer distribution, collection and transmission facilities, storm drainage facilities within the District boundaries as detailed in its amended service plan. The District's primary revenues are property taxes. The District is managed by an elected Board of Directors.

The accounting policies of the District conform to generally accepted accounting principles as applicable to governments. 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:

Definition of Reporting Entity

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 pronouncements which provide 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.

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

INTERLOCKEN CONSOLIDATED METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2016

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 flow. Property taxes are recognized as revenues in the year for which they are levied.

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.

INTERLOCKEN CONSOLIDATED METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2016

The District reports the following governmental funds:

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for 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.

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.

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.

Due to/due from other funds

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

Deferred Loss on Refunding

The deferred loss on refunding from the issuance of the Series 2013 Bonds is being amortized over the respective terms of the bonds using the straight-line method. Accumulated amortization amounted to \$1,315,052 at December 31, 2016.

INTERLOCKEN CONSOLIDATED METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2016

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 one item that qualifies for reporting in this category. It is the deferred loss on refunding reported in the government-wide statement of net position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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 item that qualifies 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

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated. The capitalization threshold is \$5,000.

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. 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 during December by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of each 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 and tax sales are in November. The County Treasurer remits the taxes collected monthly to the District.

INTERLOCKEN CONSOLIDATED METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2016

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.

Budgets

Budgets are adopted on a non-GAAP basis for the governmental funds.

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The District's Board of Directors can modify the budget and appropriations resolutions upon completion of notification and publication requirements in accordance with State Budget Law. The appropriation is at the total fund expenditures level and lapses at year end.

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:

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 \$3,550 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 \$4,859,154 is restricted for the payment of the debt service costs associated with the various notes (see Note 4).

The restricted fund balance in the Capital Projects Fund in the amount of \$182,050 is restricted for capital improvements within the District.

Unassigned Fund Balance

Unassigned fund balance includes amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

INTERLOCKEN CONSOLIDATED METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2016

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.

Net Position

Net Position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The District can report 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. At December 31, 2016, the District did not have anything to report in this category.

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 Deposits

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

Statement of Net Position:	
Cash and deposits	\$ 1,550,177
Cash and investments – restricted	<u>5,044,754</u>
	\$ <u>6,594,931</u>

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

Deposits with financial institutions	\$ 5,094,931
Investments – First American Government Obligation Fund	<u>1,500,000</u>
Total	\$ <u>6,594,931</u>

INTERLOCKEN CONSOLIDATED METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2016

Deposits and investments

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

As of December 31, 2016, none of the District’s deposits were exposed to custodial credit risk.

Investments

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 (PFM Funds Governmental Select series); money market funds (generally held by Bank Trust Departments in their role as paying agent or trustee); and CSAFE which record their investments at amortized cost.

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

A governmental money market fund, First American Government Obligation Fund, which is not measured at fair value and not categorized.

Credit Risk

The District’s investment policy requires that the District follow state statutes for 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.

INTERLOCKEN CONSOLIDATED METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2016

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.

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

First American Government Obligation Fund

The District held investments at year end in the First American Government Obligation Fund. This portfolio is a money market fund with each share equal in value to \$1.00. The fund is AAAM rated and invests exclusively in short-term U.S. government securities and repurchase agreements collateralized by U.S. government securities. The average maturity of the underlying securities is 90 days or less. As of December 31, 2016, the District had \$1,500,000 invested in this fund.

Note 3: Fixed Assets

The following is an analysis of changes in fixed assets for the period:

	Balance 1/1/2016	Additions	Deletions	Balance 12/31/2016
Capital Assets not being depreciated				
Parks and Recreation improvements	\$ 7,027,796	\$ -	\$ -	\$ 7,027,796
Construction in progress	<u>305,827</u>	<u>-</u>	<u>305,827</u>	<u>-</u>
	<u>\$ 7,333,623</u>	<u>\$ -</u>	<u>\$ 305,827</u>	<u>\$ 7,027,796</u>

The District dedicated the potable water, storm and sanitary sewer systems and the streets and associated facilities (i.e. curb and gutter) to the City in accordance with the 1994 intergovernmental agreement, as amended. The District, through the Interlocken Owners' Association, Inc., maintains the recreation and park facilities.

INTERLOCKEN CONSOLIDATED METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2016

Note 4: Long Term Debt

The District has issued the following long-term obligations:

On November 26, 2013, the District entered into 2 loan agreements with a bank and signed and delivered 2 promissory notes in the amount of \$41,925,000, and \$32,720,000. (Series 2013A and B Notes). The Series 2013 A and B Notes provide for a 10 year term and bear interest at 3.74% payable semi-annually on June 15th and December 15th commencing on June 15, 2014. Principal payments are to be made annually on December 15th commencing on December 15, 2012. The notes were issued to refund a portion of the 1999A Bonds, the 1999B Bonds, the 2004A Bonds, the 2004B Bonds, refund the 2009 Note and, pay the cost of issuance and fund a reserve fund.

On November 26, 2013, the District also entered into a loan agreement with a bank and signed and delivered a taxable promissory note in the amount of \$19,270,000. (“Series 2013C Note”). The Series 2013C Note provide for an 8 year term and bear interest at 3.76% until such time as a reliable Conversion Opinion is received by the bank, at which time the interest rate will be reduced to 2.68% payable semi-annually on June 15th and December 15th commencing on June 15, 2014. On September 17, 2014, the lender and the District received a tax exempt opinion, and the bonds converted to tax exempt status. Principal payments are to be made annually on December 15th commencing on December 15, 2014. The notes were issued to refund a portion of the 1999A Bonds, the 1999B Bonds, the 2004A Bonds, the 2004B Bonds, and, pay the cost of issuance and fund a reserve fund.

The 2013 refunding resulted in an extension in the maturity of the refunded debt, and resulted in an economic gain of \$7,687,228.

The District’s annual debt service requirements for the 2013A, 2013B and 2013C Promissory Notes are as follows:

	Principal	Interest	Total
2017	\$ 2,895,000	3,175,041	6,070,041
2018	2,975,000	3,096,377	6,071,377
2019	3,055,000	3,015,540	6,070,540
2020	3,125,000	2,940,563	6,065,563
2021	3,220,000	2,847,615	6,067,615
2022-2023	72,055,000	5,338,299	77,393,299
Totals	\$ 87,325,000	20,413,435	\$ 107,738,435

INTERLOCKEN CONSOLIDATED METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2016

The following is a summary of changes in long-term debt for the year:

	<u>Balance</u> <u>1/1/2016</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>12/31/2016</u>	<u>Due in</u> <u>1 year</u>
General Obligation Tax Exempt Refunding Notes					
Series 2013A	\$ 41,925,000	\$ -	\$ -	\$ 41,925,000	\$ -
Series 2013B	32,720,000	-	-	32,720,000	-
Series 2013C	<u>15,495,000</u>	<u>-</u>	<u>2,815,000</u>	<u>12,680,000</u>	<u>2,895,000</u>
Total	<u>\$ 90,140,000</u>	<u>\$ -</u>	<u>\$ 2,815,000</u>	<u>\$ 87,325,000</u>	<u>\$ 2,895,000</u>

Debt Authorization

As of December 31, 2016, the District had remaining voted debt authorization of approximately \$34,408,592 of improvement bond authorization and \$13,997,263 of refunding bond authorization. The District has not budgeted to issue any new debt during 2016.

Note 5: Other Agreements

The District entered into a Payment in Lieu of Taxes Agreement with the State of Colorado (“State”) effective December 19, 2013 whereby the State agreed to pay the District funds in an amount equal to the amount of ad valorem taxes the District would have collected in such year if the property was not exempt from the District’s mill levy. The State agreed to make this payment for as long as it owns land within the District subject to the availability of funds and annual appropriations by the State. The State must notify the municipal securities rule-making board if it misses a payment. During 2016, the District collected \$68,511.

Northwest Parkway Agreements

On October 11, 1999, Northwest Parkway Project Non-Profit Corporation, and Northwest Parkway Public Highway Authority (the Authority), entered into two separate agreements regarding the reimbursement of costs for the construction of the 96th Street improvements - one with the District (District Agreement) and one with Interlocken Ltd. (Interlocken Agreement).

In the District agreement, the Authority, in part, agreed to reimburse the District \$5,205,813. In the Interlocken Agreement the Authority, in part, agreed to reimburse Interlocken Ltd. the sum of \$1,995,904. In March 2000 for good and valuable consideration, the Interlocken Agreement (including the reimbursement rights) was assigned to JP Interlocken, LLLP (the Developer). On November 20, 2007, for the sum of \$1,995,904, the District agreed to purchase the reimbursement rights under the Interlocken Agreement from JP Interlocken LLLP.

INTERLOCKEN CONSOLIDATED METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2016

On November 23, 2007, the Authority paid the sum of \$6,449,202 to the District. On November 25, 2007, for the sum of \$1,995,904, the District purchased the reimbursement rights under the Interlocken Agreement from JP Interlocken LLLP. As of December 31, 2007 the Authority has agreed to pay the District the remaining \$752,515 due under the District Agreement when the funds are available. During 2016, the District received \$94,000 from the Authority.

Note 6: Related Parties

Use Agreements

The District and the Interlocken Owners' Association, Inc. ("IOA") have executed a use agreement with respect to each park. Pursuant to each use agreement, the IOA has agreed to maintain, operate and insure each park and related recreation facilities at no cost to the District. With respect to each park and as provided in each use agreement, the IOA provides, or contracts for, certain indemnification and insurance protections. Major repair and replacement of those improvements situated on the parks remains the sole responsibility of the District. With respect to each park, the use agreement automatically renews for a one year term unless either party terminates with notice pursuant thereto.

On December 20, 2007, the First Amendment to the Use Agreement was approved through which the District has conveyed, quitclaimed and assigned all of the improvements situated on West Park to the IOA. Those improvements include the baseball fields and improvements consistent with baseball fields. In the First Amendment, the District also consents to the IOA's entry into the Joint Use Agreement. On May 3, 2011, the agreements were further amended in order to change the allocation of responsibility for major repairs and replacements of improvements situated in each park from the District to the IOA.

The Joint Use Agreement was entered into effective January 1, 2008 which allows tenants and owners within the Interlocken business park and their respective employees and Broomfield citizens to use the baseball fields and other facilities at West Park. Use will be shared on a 50/50 basis between Broomfield and the IOA. The agreement sets forth the terms and conditions of each party's use.

Note 7: Tax, Spending and Debt Limitations

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. The Amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of the amendment. However, the District has made certain interpretations of the amendment's language in order to determine its compliance.

INTERLOCKEN CONSOLIDATED METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2016

On November 4, 1997, a majority of the District's electors authorized the District to collect and spend all currently levied taxes and all other revenue without regard to any limitations under TABOR.

Note 8: Risk Management

The District is 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 maintains commercial insurance for various risks of loss. There were no claims in any of the past three fiscal years.

Note 9: Reconciliation of government-wide financial statements and fund financial statements

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

- (1) capital improvements in government activities are not financial resources and, therefore are not reported in the funds;
- (2) long-term liabilities are not due and payable in the current period and therefore are not reported in the funds;
- (3) amounts reported in fund balance have been reclassified for inclusion in net position.

The Statement of Governmental Fund 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;
- (2) bond insurance consumes the current financial resources of the governmental funds, however, in the statement of activities, the cost is amortized over the life of the associated bonds; and,
- (3) accrued interest reported in the statement of activities, do not require the use of current financial resources and, therefore, are not reported in the governmental funds.

SUPPLEMENTAL INFORMATION

Interlocken Consolidated Metropolitan District

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

For the Year Ended December 31, 2016

	Original & Final		Variance
	<u>Budget</u>	<u>Actual</u>	Favorable <u>(Unfavorable)</u>
REVENUES			
Property taxes	\$ 6,973,815	\$ 6,925,262	\$ (48,553)
Reimbursements	94,000	94,000	-
Payment in lieu of taxes	37,889	68,511	30,622
Interest income	<u>1,925</u>	<u>1,969</u>	<u>44</u>
 Total Revenues	 <u>7,107,629</u>	 <u>7,089,742</u>	 <u>(17,887)</u>
EXPENDITURES			
Bond principal	2,815,000	2,815,000	-
Bond interest expense	3,260,439	3,260,426	13
Miscellaneous	3,000	-	3,000
Paying agent fees	7,000	3,750	3,250
Treasurer's fees	<u>104,605</u>	<u>104,294</u>	<u>311</u>
 Total Expenditures	 <u>6,190,044</u>	 <u>6,183,470</u>	 <u>6,574</u>
 NET CHANGE IN FUND BALANCE	 917,585	 906,272	 (11,313)
FUND BALANCE:			
BEGINNING OF YEAR	<u>3,568,939</u>	<u>3,952,882</u>	<u>383,943</u>
END OF YEAR	<u>\$ 4,486,524</u>	<u>\$ 4,859,154</u>	<u>\$ 372,630</u>

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

Interlocken Consolidated Metropolitan District

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
CAPITAL PROJECTS FUND
For the Year Ended December 31, 2016

	Original & Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES			
Interest income	\$ 60	\$ 93	\$ 33
Total Revenues	<u>60</u>	<u>93</u>	<u>33</u>
EXPENDITURES			
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	60	93	33
FUND BALANCE:			
BEGINNING OF YEAR	<u>181,957</u>	<u>181,957</u>	<u>-</u>
END OF YEAR	<u>\$ 182,017</u>	<u>\$ 182,050</u>	<u>\$ 33</u>

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

INTERLOCKEN CONSOLIDATED METROPOLITAN DISTRICT
 Summary of Assessed Valuation, Mill Levy
 and Property Taxes Collected
 12/31/2016
 (Unaudited)

Collection Year	Prior Year Assessed Valuation for Current Year Property Tax Levy	Percent Change	Mills Levied		Total Property Taxes		Percent Collected to Levied
			General	Debt Service	Levied	Collected	
1999	\$ 38,085,110	67.8%	0.000	27.240	\$ 1,037,438	\$ 1,049,935	101.20%
2000	86,025,780	125.9%	0.000	27.240	2,343,342	2,365,627	100.95%
2001	132,754,220	54.3%	0.000	27.240	3,616,225	3,589,809	99.27%
2002	198,593,372	49.6%	0.000	27.240	5,409,683	5,375,267	99.36%
2003	208,397,460	4.9%	0.000	27.240	5,676,747	5,600,163	98.65%
2004	182,920,300	-12.23%	0.000	27.240	4,982,749	4,945,501	99.25%
2005	162,225,540	-11.31%	0.000	27.240	4,419,024	4,400,333	99.58%
2006	149,328,837	-7.95%	0.000	33.500	5,002,516	4,950,992	98.97%
2007	145,134,935	-2.81%	0.000	33.500	4,862,020	4,534,817	93.27%
2008	150,650,278	3.80%	0.000	33.500	5,046,784	5,042,197	99.91%
2009	163,748,580	8.69%	0.000	33.500	5,485,577	5,297,362	96.57%
2010	188,392,020	15.05%	0.000	33.500	6,311,133	6,121,148	96.99%
2011	182,998,410	-2.86%	0.000	33.500	6,130,447	5,923,364	96.62%
2012	170,337,660	-6.92%	0.000	33.500	5,706,312	5,423,546	95.04%
2013	164,750,595	-3.28%	0.000	33.500	5,519,145	5,455,798	98.85%
2014	189,999,910	15.33%	0.000	33.500	6,364,997	6,213,432	97.62%
2015	188,152,426	-0.97%	0.000	33.500	6,303,106	6,303,188	100.00%
2016	214,422,030	13.96%	0.000	33.500	7,183,138	6,925,262	96.41%
Estimated for the year ending December 31, 2017	217,627,280	1.49%	0.000	33.500	7,290,514		

Note:

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

INTERLOCKEN CONSOLIDATED METROPOLITAN DISTRICT
 Schedule of Assessed Valuation of
 Classes of Property in the District
 2016 Tax Year
 (Unaudited)

<u>Class</u>	<u>Assessed Value</u>	<u>Percent of Total Assessed Value</u>
Commercial	\$ 118,541,060	54.55%
Personal	31,919,080	14.69%
State assessed	45,946,590	21.15%
Exempt	3,433,740	1.58%
Industrial	1,686,290	0.78%
Vacant Land	5,382,480	2.48%
Residential	10,379,840	4.78%
	<u>\$ 217,289,080</u>	<u>100.00%</u>

Source: City and County of Broomfield

INTERLOCKEN CONSOLIDATED METROPOLITAN DISTRICT
Schedule of Ten Largest Taxpayers of the District
2016 Tax Year
(Unaudited)

<u>Name</u>	<u>Assessed Valuation (1)</u>	<u>Percentage of District's Assessed Valuation (2)</u>
Level 3 Communications	\$ 44,084,210	20.3%
Oracle of America, Inc.	34,244,150	15.7%
Oracle of America, Inc.	17,005,330	7.8%
GV 385 Interlocken Owner LLC	13,386,740	6.2%
Omni Interlocken Co, LLC	12,477,030	5.7%
FSP 380 Interlocken LLC	11,158,140	5.1%
FSP 390 Interlocken Corp	11,158,140	5.1%
FFEF IIIP Interlocken LLC	6,426,140	3.0%
Camden USA Inc	5,737,570	2.6%
Staples Contract & Commercial Inc.	5,587,970	2.6%
	<u>\$ 161,265,420</u>	<u>74.1%</u>

(1) The assessed valuation shown do not reflect the deductions of any incremental assessed valuation that may apply to the property

(2) The total 201 assessed valuation figure of the District used to determine these percentages was \$213,853,030

Source: City and County of Broomfield

INTERLOCKEN CONSOLIDATED METROPOLITAN DISTRICT
Schedule of Debt Ratios
December 31, 2016
(Unaudited)

Debt outstanding	\$ 87,325,000
2016 assessed valuation (District property only)	\$ 213,853,030
Ratio of debt to assess valuation	40.83%
2016 estimated statutory actual value	\$ 843,880,138
Ratio of debt to estimated statutory actual value	10.35%