

LAREDO METROPOLITAN DISTRICT
Adams County, Colorado

AUDITOR'S REPORT AND FINANCIAL STATEMENTS
December 31, 2016



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TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR’S REPORT ON FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION	I
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Position	1
Statement of Activities	2
Fund Financial Statements	
Balance Sheet - Governmental Funds	3
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	4
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	5
General Fund - Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	6
Notes to Financial Statements	7
SUPPLEMENTAL INFORMATION	18
Debt Service Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	18
Capital Projects Fund – Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	19
Schedule of Debt Service Requirements to Maturity	20
Schedule of Assessed Valuation, Mill Levy and Property Taxes Collected	21



**Haynie &
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Independent Auditor's Report

Members of the Board of Directors
Laredo Metropolitan District

We have audited the accompanying financial statements of the governmental activities and the major funds of Laredo 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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 the major funds of Laredo Metropolitan District, as of December 31, 2016 and the respective changes in financial position and the 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 an opinion on the financial statements that collectively comprise Laredo Metropolitan District's financial statements as a whole. The supplementary information section is presented for purposes of additional analysis and is not a required part of the financial statements.

The supplementary information as listed in the table of contents 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Littleton, Colorado
July 26, 2017

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities
ASSETS	
Cash	\$ 36,596
Investments - Restricted	136,907
Receivable - County Treasurer	2,363
Prepaid expenses	2,251
Property taxes receivable - net	371,489
Total assets	549,606
LIABILITIES	
Accounts payable	5,289
Accrued interest payable	74,986
Noncurrent liabilities	
Due within one year	160,000
Due in more than one year	5,515,922
Total liabilities	5,756,197
DEFERRED INFLOWS OF RESOURCES	
Property tax revenue	371,489
Total liabilities and deferred inflows of resources	6,127,686
NET POSITION	
Restricted for:	
Emergency reserves	1,900
Debt service	138,903
Unrestricted (deficit)	(5,718,883)
Total net position (deficit)	\$ (5,578,080)

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

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

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Primary government:					
Government activities:					
General government	\$ 43,439	\$ -	\$ -	\$ -	\$ (43,439)
Interest and related costs on long-term debt	153,945	-	-	-	(153,945)
	<u>\$ 197,384</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(197,384)</u>
General revenues:					
Property taxes					400,994
Specific ownership taxes					33,048
Net investment income and other					1,662
Total general revenues					<u>435,704</u>
Change in net position					238,320
Net position (deficit) - Beginning					<u>(5,816,400)</u>
Net position (deficit) - Ending					<u><u>\$ (5,578,080)</u></u>

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

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

	General	Debt Service	Capital Projects	Total Governmental Funds
ASSETS				
Cash and equivalents	\$ 36,596	\$ -	\$ -	\$ 36,596
Cash and equivalents - Restricted	-	136,907	-	136,907
Receivable - County Treasurer	367	1,996	-	2,363
Due from other fund	-	-	-	-
Prepaid expenses	2,251	-	-	2,251
Property taxes receivable - net	66,868	304,621	-	371,489
TOTAL ASSETS	\$ 106,082	\$ 443,524	\$ -	\$ 549,606
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 5,289	\$ -	\$ -	\$ 5,289
Total liabilities	5,289	-	-	5,289
DEFERRED INFLOWS OF RESOURCES				
Property tax revenue	66,868	304,621	-	371,489
Total liabilities and deferred inflows of resources	72,157	304,621	-	376,778
FUND BALANCES				
Nonspendable:				
Prepaid expenses	2,251	-	-	2,251
Restricted for:				
Emergency reserves	1,900	-	-	1,900
Debt service	-	138,903	-	138,903
Unassigned	29,774	-	-	29,774
Total fund balances	33,925	138,903	-	172,828
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 106,082	\$ 443,524	\$ -	

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

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

Bonds payable	(4,585,000)
Developer advance payable	(1,090,922)
Accrued interest payable - Bonds	(11,424)
Accrued interest payable - Developer advances	(63,562)
Net position (deficit) of governmental activities	\$ (5,578,080)

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

LAREDO METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended December 31, 2016

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
REVENUES				
Property taxes	\$ 62,234	\$ 338,760	\$ -	\$ 400,994
Specific ownership taxes	5,129	27,919	-	33,048
Interest income	358	1,264	-	1,622
Other	40	-	-	40
Total revenues	<u>67,761</u>	<u>367,943</u>	<u>-</u>	<u>435,704</u>
EXPENDITURES				
Current				
Accounting	19,590	-	-	19,590
Audit	6,100	-	-	6,100
Legal	14,064	-	-	14,064
Insurance	2,303	-	-	2,303
Dues and memberships	329	-	-	329
Directors' fees	200	-	-	200
County Treasurer's fees	780	5,254	-	6,034
Miscellaneous	73	-	-	73
Debt service				
Bond principal payments	-	155,000	-	155,000
Bond interest	-	146,057	-	146,057
Paying agent fees	-	1,050	-	1,050
Total expenditures	<u>43,439</u>	<u>307,361</u>	<u>-</u>	<u>350,800</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>24,322</u>	<u>60,582</u>	<u>-</u>	<u>84,904</u>
OTHER FINANCING SOURCES (USES)				
Transfers	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	24,322	60,582	-	84,904
FUND BALANCES - BEGINNING OF YEAR	<u>9,603</u>	<u>78,321</u>	<u>-</u>	<u>87,924</u>
FUND BALANCES - END OF YEAR	<u>\$ 33,925</u>	<u>\$ 138,903</u>	<u>\$ -</u>	<u>\$ 172,828</u>

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

**LAREDO METROPOLITAN DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2016**

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

Net change in fund balances - Total governmental funds	\$	84,904
<p>Long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.</p>		
Bond principal payments		155,000
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Accrued interest - Change in liability		<u>(1,584)</u>
Changes in net position of governmental activities	\$	<u><u>238,320</u></u>

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

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Property taxes	\$ 62,223	\$ 62,223	\$ 62,234	\$ 11
Specific ownership taxes	-	-	5,129	5,129
Interest income	300	300	358	58
Other	-	-	40	40
Total revenues	<u>62,523</u>	<u>62,523</u>	<u>67,761</u>	<u>5,238</u>
EXPENDITURES				
Current				
Accounting	17,000	17,000	19,590	(2,590)
Audit	7,500	7,500	6,100	1,400
Legal	21,000	21,000	14,064	6,936
Insurance	2,500	2,500	2,303	197
Dues and memberships	-	-	329	(329)
Election costs	15,000	15,000	-	15,000
Directors' fees	1,600	1,600	200	1,400
County Treasurer's fees	935	935	780	155
Miscellaneous	300	300	73	227
Contingency	4,065	4,065	-	4,065
Total expenditures	<u>69,900</u>	<u>69,900</u>	<u>43,439</u>	<u>26,461</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(7,377)</u>	<u>(7,377)</u>	<u>24,322</u>	<u>31,699</u>
OTHER FINANCING SOURCES (USES)				
Transfers (to) from other funds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(7,377)	(7,377)	24,322	31,699
FUND BALANCE - BEGINNING OF YEAR	<u>7,430</u>	<u>7,430</u>	<u>9,603</u>	<u>2,173</u>
FUND BALANCE - END OF YEAR	<u>\$ 53</u>	<u>\$ 53</u>	<u>\$ 33,925</u>	<u>\$ 33,872</u>

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

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

NOTE 1 - DEFINITION OF REPORTING ENTITY

Laredo Metropolitan District (District), a quasi-municipal corporation was organized on May 15, 2002, and is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in Adams County, Colorado, entirely within the City of Commerce City. The District was established to provide financing for water, streets, traffic and safety controls, parks and recreation, sanitation facilities, public transportation, television relay and translation, and mosquito control.

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Government-wide and Fund Financial Statements

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. The District determined that Developer advances are not considered as revenue susceptible to accrual. Expenditures, other than interest on long-term obligations are recorded when the liability is incurred or the long-term obligation paid.

The District reports the following major governmental funds:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are derived primarily from property taxes, other taxes and interest income.

The Debt Service Fund accounts for the resources that are restricted, committed or assigned for principal and interest on long-term general obligation debt of the govern-

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

mental funds, as well as financial resources being accumulated for future debt service.

The Capital Projects Fund is used to account for financial resources that are restricted, committed or assigned to the acquisition and construction of capital equipment and facilities.

Budgets

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year-end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position

Cash and Investments

The District's cash and investments include 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.

Property Taxes

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

Property taxes are considered fully collectible and are recorded initially as deferred inflows of resources in the year they are levied and measurable. Property tax revenues are recorded as revenue in the year they are available or collected.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows of Resources and Deferred Inflows of Resources

A deferred inflow of resources is an acquisition of net position by a government that is applicable to a future reporting period and a deferred outflow of resources is a consumption of net position by a government that is applicable to a future reporting period. Both deferred inflows and outflows are reported in the statement of net position but are not recognized in the financial statement as revenues and expenses until the period(s) to which they relate. Deferred inflows of resources in the governmental fund financial statements of the District for the year ended December 31, 2016 are comprised of property taxes due from Adams County that will not be collected within 60 days of the end of the current fiscal year. Deferred inflows of resources in the government-wide financial statements represents property taxes for which an enforceable legal claim to assets exists, but for which the levy pertains to the subsequent year.

Long-term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Long-term debt is reported gross.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fund Balance – Governmental Funds

The fund balances for the District’s governmental funds are displayed in up to five components:

Nonspendable – amounts that are not in a spendable form or are required to be maintained intact.

Restricted – amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

- Emergency Reserves of \$1,900 have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado (see Note 5).
- The restricted fund balance in the Debt Service Fund is to be used exclusively for the payment of future general obligation bond principal, interest and related costs. At December 31, 2016, there was \$138,903 fund balance in this fund.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Committed – amounts that can be used only for the specific purposes determined by resolution of the Board. Commitments may be changed or lifted only by issuance of a resolution by the District’s Board. There is no committed fund balance for the year ended December 31, 2016.

Assigned – Amounts intended to be used by the District for specific purposes as determined by management. In governmental funds other than the General Fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund. There is no assigned fund balance for the year ended December 31, 2016.

Unassigned – the residual classification for the General Fund and includes all amounts not contained in the other classifications.

The District considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. The District applies committed amounts first, followed by assigned amounts, and then unassigned amounts when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

NOTE 3 - CASH AND INVESTMENTS

Investments as of December 31, 2016 are classified in the accompanying financial statements as follows:

Statement of net position:

Cash held in a financial institution	\$ 36,596
Cash held in a financial institution – Restricted	<u>136,907</u>
	<u>\$ 173,503</u>

Cash Deposits

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

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

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

Investments

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments.

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

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

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

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

As of December 31, 2016, the District had no investments.

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

	<u>Balance at December 31, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at December 31, 2016</u>	<u>Due Within One Year</u>
Series 2015 G.O. Bonds	\$ 4,740,000	\$ -	\$ 155,000	\$ 4,585,000	\$ 160,000
Developer advances	1,090,922	-	-	1,090,922	-
Interest on Developer advance - Operations	57,482	6,080	-	63,562	-
	<u>\$ 5,888,404</u>	<u>\$ 6,080</u>	<u>\$ 155,000</u>	<u>\$ 5,739,484</u>	<u>\$ 160,000</u>

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

NOTE 4 - LONG-TERM OBLIGATIONS

Bonds Payable

On November 20, 2015, the District issued \$4,740,000 in General Obligation (Limited Tax Convertible to Unlimited Tax) Bonds, Series 2015, for the purpose of refunding the District's Series 2003 bonds. The Series 2015 bonds have a maturity date of December 1, 2025, with an interest rate of 2.99%, paid semiannually on June 1 and December 1. The bonds are subject to redemption prior to maturity, at the option of the District, subject to a prepayment fee. The bonds are subject to mandatory sinking fund redemption on December 1, 2016 and on each December 1 thereafter in increasing amounts annually through maturity. The bonds are payable from pledged revenue, including the District's covenant to levy the required mill levy on all taxable property within the District to pay for debt scheduled payments as well as specific ownership taxes collected by the District.

The District's required debt service mill levy cannot be less than 36.5 mills or in excess of 50 mills until such time as the outstanding debt of the District is equal to or less than 50% of the assessed valuation of all taxable property of the District. The mill levy is subject to adjustment, for changes occurring after April 1, 2002, in the method of calculating assessed valuation.

The maximum adjusted mill levy the District can impose for debt service is 57.475 mills. During 2016, the District collected taxes based on a mill levy of 58.000 mills; 9.000 mills for operations and 49.000 mills for debt service. At December 31, 2016, the District levied 50.000 mills for collections in 2017; 9.000 mills for operations and 41.000 mills for debt service.

Pursuant to the 2015 Bond Resolution, the District is required to establish a Debt Service Reserve and Surplus Fund. The required Debt Service Reserve is a minimum of \$73,994. Pledged Revenues are to be deposited into the Surplus Fund and will be used, if necessary, to prevent default on the Series 2015 Bonds. If no such payment is required on the bonds on December 15 of each year, the funds may be used to pay required debt service on any other obligations of the District. As of December 31, 2016, the District had \$74,222 in the Debt Service Reserve account.

The outstanding bond principal and interest mature as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 160,000	\$ 137,092	\$ 297,092
2018	165,000	132,308	297,308
2019	170,000	127,374	297,374
2020	175,000	122,291	297,291
2021	180,000	117,059	297,059
2022-2025	3,735,000	412,917	4,147,917
	<u>\$4,585,000</u>	<u>\$1,049,041</u>	<u>\$ 5,634,041</u>

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

NOTE 4 - LONG-TERM OBLIGATIONS (CONTINUED)

Debt Authorization

On May 7, 2002, the District's electorate authorized the issuance of indebtedness in an amount not to exceed \$13,500,000 for infrastructure improvements and operations and maintenance at an interest rate not to exceed 18% and \$13,400,000 for refunding the District's debt or other obligations.

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

	Authorized May 7, 2002 Election	Authorization Used, Series 2003	Authorization Used, Series 2015	Remaining at December 31, 2016
Streets	\$ 3,350,000	\$ 2,228,297	\$ -	\$ 1,121,703
Traffic and safety	1,340,000	274,457	-	1,065,543
Water	2,680,000	1,226,917	-	1,453,083
Sanitary sewer	2,680,000	624,622	-	2,055,378
Parks and recreation	2,680,000	180,415	-	2,499,585
Public transportation	335,000	-	-	335,000
Television relay and translation	167,500	115,292	-	52,208
Mosquito control	167,500	-	-	167,500
Operations	100,000	50,000	-	50,000
Refunding	13,400,000	-	4,740,000	8,660,000
	<u>\$ 26,900,000</u>	<u>\$ 4,700,000</u>	<u>\$ 4,740,000</u>	<u>\$ 17,460,000</u>

The service plan limits the District's debt service to a maximum mill levy of 50.000 mills, provided, however, that in the event the method of calculating the assessed valuation is changed after the date of the approved service plan, the mill levy limitation applicable to such debt may be increased or decreased to reflect such changes. In the future, the District may issue a portion or all of the remaining authorized but unissued general obligation debt for purposes of providing public improvements to support development as it occurs within the District's service area.

Developer Advances Payable

In June 2002, the District entered into an Advance and Reimbursement Agreement with the Developer to repay advances made by the Developer for organizational and operational costs. The District agreed to repay the Developer along with accrued interest of 8% from the date of receipt of any advances. The District's repayment obligation pursuant to this agreement is subject to annual appropriation. During 2016, the Developer advanced a total of \$-0- to the District for operations. As of December 31, 2016, outstanding advances for operations and accrued interest due the Developer totaled \$76,000 and \$63,562, respectively.

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

NOTE 4 - LONG-TERM OBLIGATIONS (CONTINUED)

In July 2002, an Infrastructure Acquisition Agreement between the District and John Laing Homes, with a partial assignment to SW Chambers LLC, was entered into to repay acquisitions made by the Developer, without interest, for capital improvement costs. The District's repayment obligation pursuant to this agreement is subject to annual appropriation. During 2009, the District acquired \$349,405 of improvements. As of December 31, 2016, outstanding acquisitions due to the Developer totaled \$1,014,922. This amount is non-interest bearing and will be repaid from funds available, subject to annual appropriations.

NOTE 5 - NET POSITION

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

Restricted assets include assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had restricted net position of \$140,803 as of December 31, 2016 as follows:

Restricted net position:

Emergencies	\$ 1,900
Debt Service	<u>138,903</u>
	<u>\$ 140,803</u>

The District's unrestricted net position as of December 31, 2016 totaled \$(5,718,883). This deficit amount was a result of the District being responsible for the repayment of bonds issued for public improvements that have been conveyed to other governmental entities.

NOTE 6 - RELATED PARTIES

Under the Service Plan, the organizer of the district was Southwestern Investment Group, LLC (SWIG), a Colorado limited liability company. The Developer of the property which constitutes the District is SW Chambers, LLC, an affiliate of SWIG. The members of the Board of Directors are officers, employees or associated with the Developer and may have conflicts of interest in dealing with the District. See Note 4 concerning advances made by the Developer.

An affiliate of the Developer, Southwestern Property Corp. provided accounting services to the District in 2016 for total fees of \$19,590.

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

NOTE 7 - RISK MANAGEMENT

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

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2016. The Pool is an organization created by intergovernmental agreement to provide property, liability, public official's liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

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

NOTE 8 - TAX, SPENDING AND DEBT LIMITATIONS

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

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

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

On May 7, 2002, the District's voters authorized the District to increase property taxes \$50,000 annually, without limitation of rate and without regard to any spending, revenue raising or other limitations contained within Article X, Section 20 of the Colorado Constitutions (TABOR) or Section 29-1-301, C.R.S., to pay the District's operations, maintenance and other expenses. Additionally, the District's electors authorized the District to collect, spend or retain all revenue sources, other than ad valorem taxes, without regard to any limitations under TABOR.

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

NOTE 8 - TAX, SPENDING AND DEBT LIMITATIONS (CONTINUED)

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

SUPPLEMENTAL INFORMATION

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 338,771	\$ 338,771	\$ 338,760	\$ (11)
Specific ownership taxes	26,000	26,000	27,919	1,919
Interest income	1,036	1,036	1,264	228
Total revenues	<u>365,807</u>	<u>365,807</u>	<u>367,943</u>	<u>2,136</u>
EXPENDITURES				
County Treasurer's fees	5,082	5,082	5,254	(172)
Bond principal payments	155,000	155,000	155,000	-
Interest expense - Bonds	146,057	146,057	146,057	-
Paying agent fees	2,200	2,200	1,050	1,150
Contingency	3,284	9,786	-	9,786
Total expenditures	<u>311,623</u>	<u>318,125</u>	<u>307,361</u>	<u>10,764</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>54,184</u>	<u>47,682</u>	<u>60,582</u>	<u>12,900</u>
OTHER FINANCING SOURCES (USES)				
Transfers (to) from other funds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	54,184	47,682	60,582	12,900
FUND BALANCE - BEGINNING	<u>74,716</u>	<u>74,716</u>	<u>78,321</u>	<u>3,605</u>
FUND BALANCE - ENDING	<u>\$ 128,900</u>	<u>\$ 122,398</u>	<u>\$ 138,903</u>	<u>\$ 16,505</u>

**LAREDO METROPOLITAN DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
Year Ended December 31, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Total revenues	\$ -	\$ -	\$ -	\$ -
EXPENDITURES				
Bond principal	-	-	-	-
Bond interest	-	-	-	-
Total expenditures	-	-	-	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	-	-
OTHER FINANCING SOURCES (USES)				
Transfers	-	-	-	-
Total other financing sources (uses)	-	-	-	-
NET CHANGE IN FUND BALANCE	-	-	-	-
FUND BALANCE - BEGINNING	-	-	-	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

**\$4,740,000 General Obligation Limited
Tax Bonds - Series 2015
Dated November 20, 2015
Principal due December 1
Interest Rate 2.99% Payable
June 1 and December 1**

<u>Year Ended December 31,</u>	<u>June 1 and December 1</u>		<u>Annual Debt Service</u>
	<u>Principal</u>	<u>Interest</u>	
2017	\$ 160,000	\$ 137,092	\$ 297,092
2018	165,000	132,308	297,308
2019	170,000	127,374	297,374
2020	175,000	122,291	297,291
2021	180,000	117,059	297,059
2022	185,000	111,677	296,677
2023	190,000	106,145	296,145
2024	195,000	100,464	295,464
2025	3,165,000	94,631	3,259,631
	<u>\$ 4,585,000</u>	<u>\$ 1,049,041</u>	<u>\$ 5,634,041</u>

The Series 2015 Bonds are subject to redemption prior to maturity, at the option of the District, subject to a prepayment fee.

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

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Tax Levy	Total Mills Levied		Total Property Taxes		Percent Collected to Levied
		General Opera- tions	Debt Service	Levied	Collected	
2012	\$ 4,936,260	9.000	57.475	\$ 328,138	\$ 328,138	100.00%
2013	\$ 5,162,340	9.000	57.475	\$ 343,167	\$ 343,166	100.00%
2014	\$ 5,383,890	9.000	57.475	\$ 357,894	\$ 352,786	98.57%
2015	\$ 5,525,510	9.000	57.475	\$ 367,308	\$ 372,415	101.39%
2016	\$ 6,913,690	9.000	49.000	\$ 400,994	\$ 400,994	100.00%
Estimated for the year ending December 31, 2017	\$ 7,429,770	9.000	41.000	\$ 371,489		