

**NP125 METROPOLITAN DISTRICT**  
**Weld County, Colorado**

**FINANCIAL STATEMENTS**

**WITH INDEPENDENT AUDITORS' REPORT**

**YEAR ENDED DECEMBER 31, 2016**



**RECEIVED**

*By the Office of the State Auditor at 11:47 am, Aug 11, 2017*

# NP125 METROPOLITAN DISTRICT

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Certified Public Accountants and Business Consultants

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
NP125 Metropolitan District  
Weld County, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of NP125 Metropolitan District (the 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 from 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 each major fund of NP125 Metropolitan District, as of December 31, 2016, and the respective changes in financial position thereof, 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**

### *Economic Dependency*

The District has not yet established a revenue base sufficient to pay its operational expenditures. As discussed in Note 10, the District will be dependent upon the developer of the District's service area to provide funding for such expenditures.

### *Required Supplementary Information*

Management has omitted 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 the District's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of legal compliance and 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. The 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Samuel Higgs & Associates, PC*

Lakewood, Colorado  
July 31, 2017

**BASIC FINANCIAL STATEMENTS**

**NP125 Metropolitan District  
STATEMENT OF NET POSITION  
December 31, 2016**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and investments	\$ 19,768
Property taxes receivable	88,803
Total assets	108,571
 <b>LIABILITIES</b>	
Accounts payable	3,574
Accrued interest payable	23,243
Long-term liabilities	
Due within one year	-
Due in more than one year	4,723,536
Total liabilities	4,750,353
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred property tax revenue	88,803
Total deferred inflows of resources	88,803
 <b>NET POSITION</b>	
Restricted	
Emergency reserve (TABOR)	650
Unrestricted	(4,731,235)
Total net position	\$ (4,730,585)

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

**NP125 Metropolitan District  
STATEMENT OF ACTIVITIES  
Year Ended December 31, 2016**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Primary government					
General government	\$ 13,695	\$ -	\$ -	\$ -	\$ (13,695)
Interest on long-term debt and related costs	254,721	-	-	-	(254,721)
Total government activities	<u>\$ 268,416</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(268,416)</u>

General revenues:

Taxes	22,185
Specific ownership tax	1,552
TIF revenue	3,690
Interest income	24
Total general revenues	<u>27,451</u>
Change in net position	(240,965)
Net position - Beginning	<u>(4,489,620)</u>
Net position - Ending	<u>\$ (4,730,585)</u>

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

**NP125 Metropolitan District  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2016**

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Capital Projects Fund</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Cash and investments	\$ 19,207	\$ -	\$ 561	\$ 19,768
Property taxes receivable	8,880	79,923	-	88,803
Total assets	<u>\$ 28,087</u>	<u>\$ 79,923</u>	<u>\$ 561</u>	<u>\$ 108,571</u>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>				
Accounts payable	\$ 3,013	\$ -	\$ 561	\$ 3,574
Due to other funds	-	-	-	-
Total liabilities	<u>3,013</u>	<u>-</u>	<u>561</u>	<u>3,574</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred property tax revenue	8,880	79,923	-	88,803
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>8,880</u>	<u>79,923</u>	<u>-</u>	<u>88,803</u>
 <b>FUND BALANCE</b>				
Restricted:				
Emergency reserves	650	-	-	650
Unassigned	15,544	-	-	15,544
Total fund balance	<u>16,194</u>	<u>-</u>	<u>-</u>	<u>16,194</u>
 <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<u>\$ 28,087</u>	<u>\$ 79,923</u>	<u>\$ 561</u>	

Amounts reported for governmental activities in the Statement of Net Position are different because:

Long-term liabilities, including bonds payable and accrued interest, are not due and payable in the current period and, therefore, are not included in the fund financial statements, but are included in the governmental activities of the Statement of Net Position:

Bonds payable	(3,465,000)
Accrued interest on bonds payable	(23,243)
Developer advance payable	(1,123,867)
Accrued interest on Developer advance payable	<u>(134,669)</u>
Net position of governmental activities	<u>\$ (4,730,585)</u>

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

**NP125 Metropolitan District**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - GOVERNMENTAL FUNDS**  
**Year Ended December 31, 2016**

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 17,748	\$ -	\$ 4,437	\$ 22,185
Fees	1,253	-	299	1,552
TIF revenue	2,689	-	1,001	3,690
Interest income	24	-	-	24
Total revenue	<u>21,714</u>	<u>-</u>	<u>5,737</u>	<u>27,451</u>
<b>EXPENDITURES</b>				
General government				
Accounting and administrative	1,180	-	-	1,180
Directors fees	200	-	-	200
Dues and subscriptions	307	-	-	307
Insurance	1,670	-	-	1,670
Legal	9,949	-	-	9,949
Treasurer's Fees	311	-	78	389
Contingency/Miscellaneous	78	-	-	78
Debt Service:				
Bond issuance costs	-	-	37,306	37,306
Interest and fiscal charges	-	5,220	-	5,220
Total expenditures	<u>13,695</u>	<u>5,220</u>	<u>37,384</u>	<u>56,299</u>
<b>EXCESS OF REVENUE OVER EXPENDITURES</b>	<u>8,019</u>	<u>(5,220)</u>	<u>(31,647)</u>	<u>(28,848)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Developer advance	-	-	32,180	32,180
Bond proceeds	-	-	3,465,000	3,465,000
Repayment of developer advance - principal	-	-	(3,267,410)	(3,267,410)
Repayment of developer advance - interest	-	-	(197,590)	(197,590)
Transfers from (to)	(4,687)	5,220	(533)	-
Total other financing sources	<u>(4,687)</u>	<u>5,220</u>	<u>31,647</u>	<u>32,180</u>
<b>NET CHANGE IN FUND BALANCE</b>	3,332	-	-	3,332
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>12,862</u>	<u>-</u>	<u>-</u>	<u>12,862</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 16,194</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,194</u>

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

**NP125 Metropolitan District**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL**  
**FUND TO THE STATEMENT OF ACTIVITIES**  
**Year Ended December 31, 2016**

A reconciliation reflecting the differences between the governmental funds net change in fund balances and change in net position reported for governmental activities in the Statement of Activities as follows:

Net change in fund balances - Total governmental funds		<u>\$ 3,332</u>
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.</p>		
Bond proceeds		(3,465,000)
Repayment of Developer advance		3,465,000
Developer advance - interest		(86,386)
<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 governmental funds.</p>		
Interest on Developer advance		(134,669)
Accrued interest on bonds - change in liability		<u>(23,243)</u>
Change in net position - Governmental activities		<u><u>\$ (240,965)</u></u>

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

**NP125 Metropolitan District**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**For the Year Ended December 31, 2016**

	<u>Budgeted Amounts Original</u>	<u>Budgeted Amounts Final</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>REVENUES</b>				
Property taxes	\$ 17,688	\$ 17,688	\$ 17,748	\$ 60
Specific ownership taxes	-	-	1,253	1,253
TIF revenue	-	-	2,689	2,689
Interest income	10	10	24	14
Total Revenue	<u>17,698</u>	<u>17,698</u>	<u>21,714</u>	<u>4,016</u>
<b>EXPENDITURES</b>				
General government:				
Accounting and administrative	1,000	1,200	1,180	20
Directors fees	-	200	200	-
Dues and subscriptions	500	310	307	3
Insurance	2,000	1,700	1,670	30
Legal	12,000	10,000	9,949	51
Treasurer's Fees	200	315	311	4
TIF - Weld County	100	100	-	100
Contingency/Miscellaneous	1,898	100	78	22
Total Expenditures	<u>17,698</u>	<u>13,925</u>	<u>13,695</u>	<u>230</u>
<b>EXCESS OF REVENUE OVER (UNDER)</b>				
<b>EXPENDITURES</b>	<u>-</u>	<u>3,773</u>	<u>8,019</u>	<u>4,246</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers to other funds	-	(4,800)	(4,687)	113
Total other financing sources	<u>-</u>	<u>(4,800)</u>	<u>(4,687)</u>	<u>113</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>-</u>	<u>(1,027)</u>	<u>3,332</u>	<u>4,359</u>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>-</u>	<u>12,862</u>	<u>12,862</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ -</u>	<u>\$ 11,835</u>	<u>\$ 16,194</u>	<u>\$ 4,359</u>

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

**NOTES TO BASIC FINANCIAL STATEMENTS**

# NP125 METROPOLITAN DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NP125 Metropolitan District (the "District") is a quasi-municipal political subdivision of the State of Colorado organized on May 13, 2014. The District was organized to provide for construction and financing of street, safety control, water, sanitation, storm drainage and park and recreation facilities and improvements. The District derives its revenue principally from property taxes and developer advances.

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

The District's financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). A summary of the significant accounting policies used in the preparation of these financial statements follows.

**Reporting Entity** — The District has no component units for which either discrete or blended presentation is required. The inclusion or exclusion of component units is based on a determination of the elected official's financial accountability to their constituents, and whether the financial reporting entity follows the same accountability. Further, the financial statements of the reporting entity should enable the reader to distinguish between the primary government (including its blended component units, which are in substance, part of the primary government) and discretely presented component units. The criteria used for determining whether an entity should be included, either blended or discretely presented, includes but is not limited to fiscal dependency, imposition of will, legal standing, and the primary recipient of services.

**Government-Wide and Fund Financial Statements** — The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the government. Eliminations have been made to minimize the double counting of internal activities. These statements include all of the activities of the District. Governmental activities are normally supported by taxes and intergovernmental revenues.

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

The statement of activities demonstrates the degree to which 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. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. *Program revenues* include 1) fees and 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. Revenues that are not classified as program revenues, including all taxes, are reported as *general revenues*.

## NP125 METROPOLITAN DISTRICT

**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. On an accrual basis, 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 period or soon enough thereafter to pay liabilities of the current fiscal period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Those revenues susceptible to accrual are property taxes and are recognized as revenue by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

The accounts of the District are organized and operated on the basis of funds. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds maintained is consistent with legal and managerial requirements.

The District reports the following major governmental fund:

*General Fund* – The general fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

*Debt Service Fund* – The debt service fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of the governmental funds.

*Capital Projects Fund* – The capital projects fund accounts for the financial resources to be used for the acquisition and construction of capital infrastructure.

When both restricted and unrestricted resources are available for use, it is the District's policy to apply restricted resources first, then unrestricted resources as they are needed.

**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 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.

## NP125 METROPOLITAN DISTRICT

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

**Restricted Cash and Investments** — The use of certain cash and investments of the District is restricted. These cash and investment items are classified as restricted assets on the balance sheet because they are maintained in separate accounts and their use is limited by debt agreements.

**Capital Assets** — Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, sidewalks, and similar items) are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets which are anticipated to be conveyed to other governmental entities are recorded as construction in progress, and are not included in the calculation of the net investment in capital assets of the District's net position.

The costs of normal maintenance and repairs that do not add to the value of the asset, or materially extend asset lives, are not capitalized. Improvements are capitalized and are depreciated over the remaining useful lives of the related capital assets, as applicable.

**Fund Balance Classification** — The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications available to be used in the governmental fund financial statements are as follows:

*Non-spendable* – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

*Restricted* -This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

*Committed* – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action that was used when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

*Assigned* – This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Directors or through the Board of Directors delegating this responsibility to management through the budgetary process. This classification also includes the remaining positive fund balance for any governmental funds except for the General Fund.

## NP125 METROPOLITAN DISTRICT

*Unassigned* – This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The District would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

**Estimates** — The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

**Budget Information** — The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In the fall, the District Manager submits to the Board of Directors, a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted by the District to obtain taxpayer comments.
3. Prior to December 15, the budget is legally approved.
4. Any revisions that alter the total expenditures of any fund must be approved by the Board of Directors.
5. Formal budgetary integration is employed as a management control device during the year for the governmental and proprietary funds.
6. The budget for the all funds is adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Budgeted amounts are as originally adopted or amended. The Board of Directors approved supplemental appropriations in the General Fund from \$17,968 to \$18,725 and in the Debt Service Fund from \$0 to \$5,220 to account for the first interest payment on the outstanding bonds.
8. All annual appropriations lapse at the end of the year.

### 3. CASH AND INVESTMENTS

The District's cash and investments are classified in the accompanying financial statements as follows as of December 31, 2016:

Statement of net position:	
Cash and investments	<u>\$19,768</u>
Total cash and investments	<u>\$19,768</u>

## NP125 METROPOLITAN DISTRICT

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

Demand deposits	<u>\$19,768</u>
Total cash and investments	<u>\$19,768</u>

**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.

At December 31, 2016, the District's cash deposits had a bank balance of \$22,529 and a carrying balance of \$19,768.

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

The District generally limits its investments to those which are believed to have 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 credit risk for investments that are in the possession of another party.

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

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

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

## NP125 METROPOLITAN DISTRICT

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

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

### 4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2016 was as follows:

Governmental activities:	Balance at			Balance at
	December 31, 2015	Additions	Reductions	December 31, 2016
Capital assets, not being depreciated:				
Construction in progress	\$ 4,279,869	\$ -	\$ 4,279,869	\$ -
Total capital assets not being depreciated	\$ 4,279,869	\$ -	\$ 4,279,869	\$ -

The capital assets noted above were conveyed to the Town of Firestone.

### 5. LONG-TERM LIABILITIES

Changes in long-term debt for the year ended December 31, 2016 are summarized as follows:

Governmental activities:	Balance at			Balance at	Due
	December 31, 2015	Additons	Reductions	December 31, 2016	Within One Year
Limited Tax G.O.Bonds					
Series 2016	\$ -	\$ 3,465,000	\$ -	\$ 3,465,000	\$ -
Developer advance - capital	4,279,869	32,180	3,267,410	1,044,639	-
Developer advance - operating	79,228	-	-	79,228	-
Accrued interest on Developer advance	102,368	229,891	197,590	134,669	-
	\$ 4,461,465	\$ 3,727,071	\$ 3,465,000	\$ 4,723,536	\$ -

**Series 2016 Limited Tax General Obligation Bonds**— In 2016, the District issued \$3,465,000 in limited tax general obligation bonds for the purpose of providing for the payment of certain costs of Public improvements incurred by the Developer in accordance with Developer Agreements, and paying other costs in connection with the Bonds.

The bonds bear interest at 6% per annum, payable on December 1, commencing on December 1, 2016, and shall mature on December 1, 2046. The bonds are subject to mandatory redemption

## NP125 METROPOLITAN DISTRICT

beginning December 1, 2024. The bonds are subject to redemption prior to maturity, at the option of the District on December 1, 2026 or any date thereafter upon payment of par and accrued interest, without redemption premium.

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year Ended</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ -	\$ 278,910	\$ 278,910
2018	-	207,900	207,900
2019	-	207,900	207,900
2020	-	207,900	207,900
2021	-	207,900	207,900
2022 - 2026	240,000	1,026,300	1,266,300
2027 - 2031	565,000	906,000	1,471,000
2032 - 2036	970,000	693,000	1,663,000
2037- 2041	1,495,000	342,300	1,837,300
2042 - 2046	195,000	11,700	206,700
Total	<u>\$ 3,465,000</u>	<u>\$ 4,089,810</u>	<u>\$ 7,554,810</u>

**Debt Authorization** – On May 6, 2014, a majority of qualified electors of the District who voted in the election authorized the issuance of indebtedness in an amount not to exceed \$50,510,000 at an interest rate not to exceed 15% per annum.

Pursuant to the Service Plan, the District is permitted to issue bond indebtedness of up to \$3,465,000. In the future, the District may issue a portion or all of the remaining authorized but unissued general obligation debt for purposes of providing public improvements to support development as it occurs within the District's service area. The issuance of any additional debt would require an amendment to the District's Service Plan.

**Developer Advances** – On November 10, 2014, the District entered into an agreement with Willowood Corporation (the Developer) for reimbursement of costs related to capital improvements plus interest at 8%, from the date of such advance. On November 14, 2016, the interest rate was adjusted to 2% plus the current Federal Reserve Board Prime Rate. As of December 31, 2016 outstanding advances under the agreement total \$1,044,639 and accrued interest of \$128,701.

On November 10, 2014, the District entered into an agreement with the Developer for reimbursement of costs associated with the formation, administration, operations and maintenance of public facilities as defined in the District's Service Plan, and other general fund expenditures plus interest at 2% plus the current Federal Reserve Board Prime Rate, from the date of such advance. At December 31, 2016, outstanding advances under the agreement totaled \$79,228 and accrued interest of \$5,968.

# NP125 METROPOLITAN DISTRICT

## 6. AGREEMENTS

### Improvement Acquisition Agreement

On May 6, 2014, the District entered into an agreement with the Developer wherein the Developer will design and construct certain improvements on behalf of the District, and the District would acquire such improvements from the Developer or other appropriate entities. The District agrees to acquire the improvements for the purchase price within 30 days of delivery of an Acceptance Letter as mutually agreed upon by the parties.

### Cooperation Agreement

The District entered into an agreement with the Firestone Urban Renewal Authority ("FURA") wherein tax increment financing ("TIF") is applied to certain parcels in the District. Per the Agreement, FURA agrees to pay to the District all property tax revenues received by FURA upon taxable property within the Urban Renewal Area.

## 7. NET POSITION

The District net position includes two components: restricted and unrestricted.

Restricted assets which have restrictions placed on the use of the assets through external constraints imposed by creditors (such as through debt covenants), contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. Net position includes:

Restricted:

Emergency reserve (TABOR)	\$ 650
Total restricted net position	<u>\$ 650</u>

Unrestricted net position consists of the net amount of assets, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position. The District utilizes unrestricted net position before using restricted net position. As of December 31, 2016, the District had unrestricted net position of (\$4,730,585). This deficit is primarily due to the effects of the District's bond indebtedness, which remain an obligation of the District. The proceeds were used to construct capital assets that were conveyed to other governmental entities.

## 8. RELATED PARTY

The Developer of the property which constitutes the District is Willowood Corporation. The members of the Board of Directors are employees, owners or are otherwise associated with the Developer and its affiliates and may have conflicts of interest dealing with the District.

## **NP125 METROPOLITAN DISTRICT**

### **9. RISK MANAGEMENT**

The District is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District was a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2016. The Pool is an organization created by an intergovernmental agreement to provide property, liability, public officials liability, boiler and machinery and workers compensation insurance to its members.

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

### **10. ECONOMIC DEPENDENCY**

The District has not yet established a revenue base sufficient to pay operational expenditures. Until an independent revenue base is established, continuation of operations in the District will be dependent upon funding by the Developer.

### **11. AMENDMENT TO COLORADO CONSTITUTION**

Colorado voters passed an amendment to the *State Constitution*, Article X, Section 20, referred to as the Taxpayer's Bill of Rights (TABOR), which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments.

Fiscal year spending and revenue limits are determined based on the prior year's spending adjusted for inflation and local growth. Revenue in excess of the limit must be refunded unless the voters approve retention of such revenue.

On May 6, 2014, a majority of District electors authorized the District to collect and spend or retain in a reserve all currently levied taxes and other revenue of the District for 2013 and any year thereafter, without regard to limitations under TABOR.

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.

**SUPPLEMENTAL INFORMATION**

**NP125 Metropolitan District**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**DEBT SERVICE FUND**  
**For the Year Ended December 31, 2016**

	<u>Budgeted Amounts Original</u>	<u>Budgeted Amounts Final</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>REVENUES</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Total Revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXPENDITURES</b>				
Debt Service:				
Bond issuance costs				
Interest and fiscal charges	-	5,220	5,220	-
Total Expenditures	<u>-</u>	<u>5,220</u>	<u>5,220</u>	<u>-</u>
<b>EXCESS OF REVENUE OVER (UNDER)</b>				
<b>EXPENDITURES</b>	<u>-</u>	<u>(5,220)</u>	<u>(5,220)</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds	-	5,220	5,220	-
Total other financing sources	<u>-</u>	<u>5,220</u>	<u>5,220</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	-	-	-
<b>FUND BALANCE - BEGINNING OF YEAR</b>	-	-	-	-
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**NP125 Metropolitan District**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**CAPITAL PROJECTS FUND**  
**For the Year Ended December 31, 2016**

	<u>Budgeted Amounts</u>		<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original-Final</u>	<u>Actual</u>	
<b>REVENUES</b>			
Property taxes	\$ 4,422	\$ 4,437	\$ 15
Specific ownership taxes	-	299	299
TIF revenue	-	1,001	1,001
Total Revenue	<u>4,422</u>	<u>5,737</u>	<u>1,315</u>
<b>EXPENDITURES</b>			
Treasurer's Fees	-	78	(78)
Capital outlay	3,465,000	-	3,465,000
Debt Service:			
Bond issuance costs	40,000	37,306	2,694
Total Expenditures	<u>3,505,000</u>	<u>37,384</u>	<u>3,467,616</u>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>	<u>(3,500,578)</u>	<u>(31,647)</u>	<u>3,468,931</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Developer advance	35,578	32,180	(3,398)
Bond proceeds	3,465,000	3,465,000	-
Repayment of developer advance - principal	-	(3,267,410)	(3,267,410)
Repayment of developer advance - interest	-	(197,590)	(197,590)
Transfers to other funds	-	(533)	(533)
Total other financing sources	<u>3,500,578</u>	<u>31,647</u>	<u>(3,468,931)</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	-	-
<b>FUND BALANCE - BEGINNING OF YEAR</b>	-	-	-
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**NP125 Metropolitan District**  
**DEBT SERVICE REQUIREMENTS TO MATURITY**  
**December 31, 2016**

**\$3,465,000**  
**Limited Tax General Obligation Bonds**  
**Series 2016**  
**Dated July 19, 2016**

**Bonds and Interest**

<b>Maturing in the Year Ending December 31,</b>	<b>Interest Payable on June 1 and Principal and Interest Payable on December 1</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	\$ -	\$ 278,910	278,910
2018	-	207,900	207,900
2019	-	207,900	207,900
2020	-	207,900	207,900
2021	-	207,900	207,900
2022	-	207,900	207,900
2023	-	207,900	207,900
2024	70,000	207,900	277,900
2025	80,000	203,700	283,700
2026	90,000	198,900	288,900
2027	95,000	193,500	288,500
2028	100,000	187,800	287,800
2029	110,000	181,800	291,800
2030	125,000	175,200	300,200
2031	135,000	167,700	302,700
2032	160,000	159,600	319,600
2033	170,000	150,000	320,000
2034	195,000	139,800	334,800
2035	210,000	128,100	338,100
2036	235,000	115,500	350,500
2037	250,000	101,400	351,400
2038	275,000	86,400	361,400
2039	295,000	69,900	364,900
2040	330,000	52,200	382,200
2041	345,000	32,400	377,400
2042	195,000	11,700	206,700
	<u>\$ 3,465,000</u>	<u>\$ 4,089,810</u>	<u>\$ 7,554,810</u>

*Debt schedule compiled by bond underwriter based on projected available revenues.  
Actual bond maturity date is December 1, 2046.*