

**SBC METROPOLITAN DISTRICT**  
**City and County of Denver, Colorado**

**FINANCIAL STATEMENTS**  
**December 31, 2016**



**RECEIVED**

*By the Office of the State Auditor at 8:10 am, Aug 30, 2017*

**TABLE OF CONTENTS**

	<b>PAGE</b>
<b>INDEPENDENT AUDITORS' REPORT .....</b>	<b>1</b>
 <b>BASIC FINANCIAL STATEMENTS</b>	
 <b>Government-wide Financial Statements</b>	
Statement of Net Position .....	1
Statement of Activities .....	2
 <b>Fund Financial Statements</b>	
 <b>Governmental Funds</b>	
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 Balances - Budget and Actual.....	6
Notes to Financial Statements.....	7
 <b>SUPPLEMENTAL INFORMATION.....</b>	 <b>25</b>
Debt Service Fund - Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual .....	26
Capital Projects Fund - Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual .....	27
Schedule of Debt Service Requirements to Maturity .....	28
Summary of Assessed Valuation, Mill Levy and Property Taxes Collected.....	30
 <b>CONTINUING DISCLOSURE ANNUAL FINANCIAL INFORMATION (UNAUDITED).....</b>	 <b>32</b>
Taxpayers in the District for 2016 .....	33
2016 Assessed Valuation of Classes of Property in the District .....	33
Estimated Overlapping General Obligation Debt .....	34
Selected Debt Ratios of the District .....	34

Board of Directors  
SBC Metropolitan District  
City and County of Denver, Colorado

### Independent Auditors' Report

We have audited the accompanying financial statements of the governmental activities and each major fund of the SBC 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 SBC 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.

***Other-Matters***

*Required Supplementary Information*

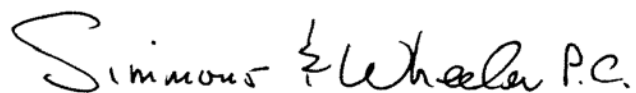
Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required 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 SBC Metropolitan District's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The continuing disclosure annual financial information, as listed in the table of contents, has 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.



Englewood, CO  
August 1, 2017

## **BASIC FINANCIAL STATEMENTS**

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

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and investments	\$ 551,525
Cash and investments - Restricted	6,148,792
Receivable - County Treasurer	16,204
Property taxes receivable	2,669,003
Prepaid expenses	6,370
Unamortized Bond insurance	148,421
Capital assets, not being depreciated	
Construction in progress	4,596,301
Easements	600,000
Capital assets, net:	
Landscaping and monumentation	1,078,180
Total assets	15,814,796
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Cost of refunding	116,866
Total deferred outflows of resources	116,866
<b>LIABILITIES</b>	
Accounts payable	5,837
Accrued interest payable	89,400
Payroll tax payable	168
Noncurrent liabilities	
Due within one year	510,000
Due in more than one year	26,564,108
Total liabilities	27,169,513
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Property tax revenue	2,669,003
Total deferred inflows of resources	2,669,003
<b>NET POSITION</b>	
Net investment in capital assets	(4,385,513)
Restricted for:	
Emergencies	31,400
Debt service	2,579,268
Unrestricted	(12,132,009)
Total net position	\$ (13,906,854)

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

**SBC 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 Position</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	\$ 366,673	\$ -	\$ -	\$ -	\$ (366,673)
Interest on long-term debt	1,441,121	-	-	-	(1,441,121)
	<u>\$ 1,807,794</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(1,807,794)</u>
General revenues:					
Property taxes					199,792
Property taxes remitted - DURA					2,194,542
Specific ownership taxes					161,057
Net investment income					34,603
Insurance proceeds					6,686
Total general revenues					<u>2,596,680</u>
Change in net position					788,886
Net position - Beginning					<u>(14,695,740)</u>
Net position - Ending					<u>\$ (13,906,854)</u>

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

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

	General	Debt Service	Capital Projects	Total Governmental Funds
<b>ASSETS</b>				
Cash and investments	\$ 551,525	\$ -	\$ -	\$ 551,525
Cash and investments - Restricted	31,400	2,658,600	3,458,792	6,148,792
Receivable - County Treasurer	5,998	10,206	-	16,204
Property taxes receivable	1,067,601	1,601,402	-	2,669,003
Prepaid expenses	6,370	-	-	6,370
<b>TOTAL ASSETS</b>	<b>\$ 1,662,894</b>	<b>\$ 4,270,208</b>	<b>\$ 3,458,792</b>	<b>\$ 9,391,894</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 5,609	\$ 138	\$ 90	\$ 5,837
Payroll tax payable	168	-	-	168
Total liabilities	5,777	138	90	6,005
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Property tax revenue	1,067,601	1,601,402	-	2,669,003
Total deferred inflows of resources	1,067,601	1,601,402	-	2,669,003
<b>FUND BALANCES</b>				
Nonspendable				
Prepaid expenses	6,370	-	-	6,370
Restricted for:				
Emergency reserves	31,400	-	-	31,400
Debt service	-	2,668,668	-	2,668,668
Committed for:				
Capital projects	-	-	3,458,702	3,458,702
Unassigned	551,746	-	-	551,746
Total fund balances	589,516	2,668,668	3,458,702	6,716,886
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 1,662,894</b>	<b>\$ 4,270,208</b>	<b>\$ 3,458,792</b>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the funds.

Capital assets, not being depreciated	5,196,301
Capital assets, net	1,078,180

Other deferred outflows of resources are not available to pay for current period expenditures and, therefore, are deferred in the funds.

Unamortized bond insurance	148,421
Unamortized cost of refunding	116,866

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not recorded as liabilities in the funds.

Bonds payable	(24,105,000)
Bond premium (net of amortization)	(3,051,308)
Bond discount (net of amortization)	82,200
Accrued interest on bonds payable	(89,400)

Net position of governmental activities	<b>\$ (13,906,854)</b>
---	------------------------

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

**SBC 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>
<b>REVENUES</b>				
Property taxes	\$ 79,917	\$ 119,875	\$ -	\$ 199,792
Property taxes remitted - DURA	889,156	1,305,386	-	2,194,542
Specific ownership taxes	64,467	96,590	-	161,057
Net investment income	6,321	18,079	10,203	34,603
Insurance proceeds	6,686	-	-	6,686
Total revenues	<u>1,046,547</u>	<u>1,539,930</u>	<u>10,203</u>	<u>2,596,680</u>
<b>EXPENDITURES</b>				
Current				
Accounting	33,889	-	-	33,889
Audit	3,900	-	-	3,900
City of Denver maintenance fee	3,000	-	-	3,000
County Treasurer's fees	9,694	14,256	-	23,950
Directors' fees	1,100	-	-	1,100
Election	768	-	-	768
Insurance and bonds	7,248	-	-	7,248
Landscape - Contract	74,696	-	-	74,696
Landscape - Floral	7,454	-	-	7,454
Landscape - Repairs and maintenance	46,967	-	-	46,967
Legal	17,932	-	-	17,932
Management	39,070	-	-	39,070
Miscellaneous	2,017	-	-	2,017
Mosquito abatement	2,100	-	-	2,100
Payroll tax	84	-	-	84
Snowplowing and sweeping	2,768	-	-	2,768
Storm drainage	275	-	-	275
Utilities	36,688	-	-	36,688
Debt service				
Bond interest - Series 2005	-	485,535	-	485,535
Bond interest - Series 2012	-	195,200	-	195,200
Bond interest - Series 2016	-	82,884	-	82,884
Bond issue costs	-	260,579	-	260,579
Bond insurance	-	149,581	-	149,581
Paying agent fees	-	638	-	638
Capital projects				
Engineering	-	-	1,838	1,838
Total expenditures	<u>289,650</u>	<u>1,188,673</u>	<u>1,838</u>	<u>1,480,161</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>756,897</u>	<u>351,257</u>	<u>8,365</u>	<u>1,116,519</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Repay developer advance	-	-	(1,017,568)	(1,017,568)
Refunding and improvement bonds	-	19,225,000	-	19,225,000
Bond premium	-	3,075,148	-	3,075,148
Payment to refunded bond escrow	-	(19,883,823)	-	(19,883,823)
Transfers from other funds	-	-	3,483,437	3,483,437
Transfers to other funds	(983,437)	(2,500,000)	-	(3,483,437)
Total other financing sources (uses)	<u>(983,437)</u>	<u>(83,675)</u>	<u>2,465,869</u>	<u>1,398,757</u>
<b>NET CHANGE IN FUND BALANCES</b>	(226,540)	267,582	2,474,234	2,515,276
<b>FUND BALANCES - BEGINNING OF YEAR</b>	816,056	2,401,086	984,468	4,201,610
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 589,516</u>	<u>\$ 2,668,668</u>	<u>\$ 3,458,702</u>	<u>\$ 6,716,886</u>

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

**SBC 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 \$ 2,515,276

Governmental funds report capital outlays as expenditures. In the statement of activities, capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense the allocation of the cost of any depreciable asset over the estimated useful life of the asset.

Capital outlay	1,838
Depreciation expense	(77,023)

The issuance of long-term debt (e.g., bonds, leases) 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. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Bond proceeds	(19,225,000)
Bond premium	(3,075,148)
Bond insurance	149,581
Bond principal payment	19,490,000
Amortization of bond insurance	(1,160)
Amortization of bond premium	23,840
Amortization of bond discount	(4,084)
Amortization of bond refunding costs	(913)
Repayment of developer advance	1,017,568

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.

Change in accrued Developer advance interest payable	(33,679)
Change in accrued bond interest payable	7,790

Changes in net position of governmental activities	\$ 788,886
--	------------

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

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

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>			
Property taxes	\$ 81,357	\$ 79,917	\$ (1,440)
Property taxes remitted to DURA	890,790	889,156	(1,634)
Specific ownership taxes	58,400	64,467	6,067
Net investment income	1,600	6,321	4,721
Insurance proceeds	-	6,686	6,686
Total revenues	<u>1,032,147</u>	<u>1,046,547</u>	<u>14,400</u>
<b>EXPENDITURES</b>			
Current			
Accounting	25,000	33,889	(8,889)
Audit	4,000	3,900	100
City of Denver maintenance fee	3,000	3,000	-
Contingency	9,280	-	9,280
County Treasurer's fees	14,600	9,694	4,906
Directors' fees	1,600	1,100	500
Election	1,500	768	732
Insurance and bonds	6,500	7,248	(748)
Landscape - Contract	80,000	74,696	5,304
Landscape - Floral	10,000	7,454	2,546
Landscape - Repairs and maintenance	50,000	46,967	3,033
Legal	30,000	17,932	12,068
Management	31,200	39,070	(7,870)
Miscellaneous	2,000	2,017	(17)
Mosquito abatement	5,000	2,100	2,900
Payroll tax expense	120	84	36
Snowplowing and sweeping	25,000	2,768	22,232
Storm drainage	50,000	275	49,725
Utilities	100,000	36,688	63,312
Total expenditures	<u>448,800</u>	<u>289,650</u>	<u>159,150</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	583,347	756,897	173,550
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers to other funds	(1,240,000)	(983,437)	256,563
Total other financing sources (uses)	<u>(1,240,000)</u>	<u>(983,437)</u>	<u>256,563</u>
<b>EXCESS OF REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	(656,653)	(226,540)	430,113
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>744,948</u>	<u>816,056</u>	<u>71,108</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 88,295</u>	<u>\$ 589,516</u>	<u>\$ 501,221</u>

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

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

**NOTE 1 - DEFINITION OF REPORTING ENTITY**

SBC Metropolitan District (District), a quasi-municipal corporation, was organized on May 26, 1998, and is governed pursuant to provisions of the Colorado Special District Act. The District is located entirely within the City and County of Denver, Colorado (City). The District was established to provide for the design, construction, installation, financing and acquisition of certain street, traffic and safety controls, water, sanitation, park and recreation improvements and mosquito control, in compliance with the Amended and Restated Service Plan approved by the City and County of Denver City Council on March 27, 2007, as modified August 1, 2011.

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. These financial statements include all of the activities of the District. The effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

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

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.

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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. Depreciation is computed and recorded as an operating expense.

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 government 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 and specific ownership 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 is due.

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.

The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term debt of the governmental funds.

The Capital Projects Fund is used to account for financial resources to be used for 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.

The District has amended its annual budget for the year ended December 31, 2016.

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Pooled Cash and Investments**

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a single bank or investment account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash.

Investments are carried at fair value.

**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 Manager of Revenue 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, at the taxpayer's election, in equal installments 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 or to DURA (see Note 8).

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

**Capital Assets**

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

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 net investment in capital assets.

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The costs of normal maintenance and repairs that do not add to the value of the asset 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. Depreciation expense has been computed using the straight-line method over the estimated economic useful lives.

Landscaping	30 years
Parks	30 years
Monumentation	25 years

**Amortization**

**Original Issue Discount/Premium**

In the government-wide financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts and bond issue costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums and discounts received on debt issuances are reported as other financing sources and uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Cost of Bond Refunding**

In the government-wide financial statements, the deferred cost of bond refunding is being amortized using the interest method over the life of the new bonds. The amortization amount is a component of interest expense and the unamortized deferred cost is reflected as a deferred outflow of resources.

**Bond Insurance**

In the government-wide financial statements, the deferred cost of bond insurance is being amortized using the interest method over the life of the new bonds. The amortization amount is a component of bond insurance expense and the unamortized deferred cost is reflected as an asset.

**Deferred Inflow/Outflow of Resources**

In addition to assets, the statement of net position reports 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 government only has one item that qualifies for reporting in this category. Accordingly, the item, cost of bond refunding, is deferred and recognized as an outflow of resources in the period that the amounts become available.

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

In addition to liabilities, the statement of net position reports 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 government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *deferred property tax revenue*, is also reported in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**Equity**

***Net Position***

For government-wide presentation purposes when both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

***Fund Balance***

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned, and unassigned.

Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

- *Nonspendable fund balance* – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.
- *Restricted fund balance* – The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.
- *Committed fund balance* – The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.
- *Assigned fund balance* – The portion of fund balance that is constrained by the government's intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

- *Unassigned fund balance* – The residual portion of fund balance that does not meet any of the criteria described above.

If more than one classification of fund balance is available for use when an expenditure is incurred, it is the District's practice to use the most restrictive classification first.

**NOTE 3 - CASH AND INVESTMENTS**

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

Statement of net position:

Cash and investments	\$ 551,525
Cash and investments - Restricted	<u>6,148,792</u>
Total cash and investments	<u>\$ 6,700,317</u>

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

Deposits with financial institutions	\$ 23,603
Investments	<u>6,676,714</u>
Total cash and investments	<u>\$ 6,700,317</u>

**Deposits with Financial Institutions**

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 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 \$32,280 and a carrying balance of \$23,603.

**Investments**

The District has adopted a formal investment policy to follow the state statutes regarding investments.

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

**NOTE 3 - CASH AND INVESTMENTS (CONTINUED)**

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 or investment custodial risk disclosure requirements 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. Such actions are generally associated with a debt service reserve or sinking fund requirements.

Revenue bonds of local government securities, corporate and bank securities, and guaranteed investment contracts not purchased with bond proceeds, are limited to maturities of three years or less.

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
- . Certain certificates of participation
- . Certain securities lending agreements
- . Bankers' acceptances of certain banks
- . Commercial paper
- . Written repurchase agreements and certain reverse repurchase agreements collateralized by certain authorized securities
- . Certain money market funds
- . Guaranteed investment contracts
- \* Local government investment pools

**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 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; 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.

The District had invested in COLOTRUST, an external investment pool that records its investments at fair value and measures fair value using Level 2 inputs.

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

**NOTE 3 - CASH AND INVESTMENTS (CONTINUED)**

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

<b>Investment</b>	<b>Maturity</b>	<b>Fair Value</b>
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted average under 60 days	<u>\$ 6,676,714</u>

**COLOTRUST**

The District invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and any security allowed under CRS 24-75-601. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. COLOTRUST is rated AAAM by Standard & Poor's.

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

**NOTE 4 - CAPITAL ASSETS**

An analysis of the changes in property and equipment for the year ended December 31, 2016, follows. Under the terms of the District's Service Plan, when complete and after the warranty period, the District is to transfer the streets and water and sewer facilities to the City for ownership and maintenance.

	<b>Balance at December 31, 2015</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance at December 31, 2016</b>
<b><u>Governmental Activities:</u></b>				
Capital assets, not being depreciated:				
Construction in progress	\$ 4,594,463	\$ 1,838	\$ -	\$ 4,596,301
Easements	600,000	-	-	600,000
Total capital assets, not being depreciated	<u>5,194,463</u>	<u>1,838</u>	<u>-</u>	<u>5,196,301</u>
Capital assets, being depreciated:				
Landscaping and monumentation	<u>2,296,935</u>	-	-	<u>2,296,935</u>
Total capital assets, being depreciated	<u>2,296,935</u>	<u>-</u>	<u>-</u>	<u>2,296,935</u>
Less accumulated depreciation for:				
Landscaping and monumentation	<u>1,141,732</u>	<u>77,023</u>	-	<u>1,218,755</u>
Total accumulated depreciation	<u>1,141,732</u>	<u>77,023</u>	<u>-</u>	<u>1,218,755</u>
Total capital assets, being depreciated	<u>1,155,203</u>	<u>(77,023)</u>	<u>-</u>	<u>1,078,180</u>
Governmental activities capital assets, net	<u>\$ 6,349,666</u>	<u>\$ (75,185)</u>	<u>\$ -</u>	<u>\$ 6,274,481</u>

Depreciation expense for 2016 was all charged to the General Government function/program.

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

**NOTE 5 - LONG-TERM OBLIGATIONS**

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

	<u>Balance at December 31, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at December 31, 2016</u>	<u>Due Within One Year</u>
<b><u>Governmental Activities:</u></b>					
General Obligation Refunding Bonds					
Series 2005	\$ 19,490,000	\$ -	\$ 19,490,000	\$ -	\$ -
General Obligation Bonds					
Series 2012	4,880,000	-	-	4,880,000	-
General Obligation Refunding and Improvement Bonds					
Series 2016	-	19,225,000	-	19,225,000	510,000
Developer advances	718,026	-	718,026	-	-
Accrued interest on Developer advances	265,863	33,679	299,542	-	-
	<u>25,353,889</u>	<u>19,258,679</u>	<u>20,507,568</u>	<u>24,105,000</u>	<u>510,000</u>
Unamortized bond premium	179,814	3,075,148	203,654	3,051,308	252,425
Unamortized bond discount	(86,284)	-	(4,084)	(82,200)	(4,084)
	<u>\$ 25,447,419</u>	<u>\$ 22,333,827</u>	<u>\$ 20,707,138</u>	<u>\$ 27,074,108</u>	<u>\$ 758,341</u>

The details of the District's long-term obligations are as follows:

**General Obligation Bonds**

**\$22,785,000 General Obligation Refunding Bonds, Series 2005, dated August 1, 2005**, refunded the 1998, 1999, and 2002 Bonds, with interest rates ranging from 3.00% to 5.00%, consisting of serial bonds issued in the amount of: \$3,785,000 due annually through 2016; term bonds issued in the amount of \$2,395,000 due December 1, 2020; term bonds in the amount of \$4,115,000 due December 1, 2025; term bonds in the amount of \$4,385,000 due December 1, 2029; and term bonds in the amount of \$8,105,000 due December 1, 2034. Such term bonds are subject to mandatory sinking fund redemption beginning on December 1, 2017. In addition, bonds maturing on and after December 31, 2016, are subject to redemption prior to maturity at the option of the District, on December 1, 2015, and any date thereafter, without redemption premium. The 2005 Bonds were insured by ACA Financial Guaranty Corporation (ACA).

The Series 2005 bonds were fully refunded by the Series 2016 General Obligation Refunding and Improvement Bonds on October 27, 2016.

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

**NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)**

**\$4,880,000 General Obligation Bonds, Series 2012.** On December 19, 2012, the District issued its General Obligation Bonds Series 2012 in the principal amount of \$4,880,000, with interest at the rate of 4.000% per annum (the "Series 2012 Bonds"). The Series 2012 Bonds mature on December 1, 2037. The Series 2012 Bonds are subject to mandatory sinking fund redemption beginning on December 1, 2035. The Series 2012 Bonds are subject to optional redemption on or after December 1, 2022, without redemption premium. The Series 2012 Bonds were issued at a discount of \$98,332, which is being amortized over the life of the Series 2012 Bonds.

The Series 2012 Bonds, rated BBB+ by Standard & Poor's, are secured by and payable from monies derived by the District from the following sources, net of any collection costs: tax revenue received from levying a mill levy on all taxable property of the District in an amount sufficient to pay the principal of and interest on the Bonds including any money received by the District under or pursuant to the Cooperation Agreement (see Note 8) as a result of the District's debt service mill levy. The Series 2012 Bonds are also secured by amounts held in the Reserve Fund and the Mill Levy Stabilization Account. For collection year 2016, the District levied 21.000 mills for debt service.

**\$19,225,000 General Obligation Refunding and Improvement Bonds, Series 2016.** On October 27, 2016, the District issued its General Obligation Refunding and Improvement Bonds Series 2016 in the principal amount of \$19,225,000. The Series 2016 Bonds have interest rates ranging from 3.00% to 5.00%. Interest is payable semi-annually on June 1 and December 1, and principal is payable annually on December 1. The Series 2016 Bonds were issued at a premium of \$3,075,148 which is being amortized over the life of the bonds. The Series 2016 Bonds were issued for the purpose of (i) paying the Project Costs; (ii) refunding on a current basis the Series 2005 Bonds; (iii) funding the Reserve Account; and (iv) paying issuance and other costs in connection with the Bonds (including the premium for the Bond Insurance Policy). The amount of the Reserve Requirement is \$870,625.

The Series 2016 Bonds maturing on or after December 1, 2027 are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$5,000, in any order of maturity and in whole or partial maturities, and, if in part, in such order of maturities (and, in the case of multiple interest rates within a maturity, in such order of interest rates) as the District shall determine and by lot within bonds of the same maturity and bearing the same interest rate, on December 1, 2026 and on any date thereafter, at a redemption price equal to the par amount thereof (with no redemption premium) plus accrued interest to the redemption date.

The Series 2016 Bonds maturing on December 1, 2034 are subject to mandatory sinking fund redemption, prior to maturity, in part, by lot in such manner as the Paying Agent shall determine, on December 1 of each year set forth below, at a redemption price equal to the principal amount thereof (with no redemption premium), plus accrued interest to the redemption date, in the amounts set forth below:

<u>Year of Redemption</u>	<u>Redemption Amount</u>
2032	\$ 1,465,000
2033	\$ 1,535,000
2034 <sup>1</sup>	\$ 2,525,000

<sup>1</sup>Final maturity, not a sinking fund redemption.

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

**NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)**

The Series 2016 Bonds, rated BBB+ by Standard & Poor's, are secured by and payable from monies derived by the district from the following sources, net of any collection costs: 1) the Required Mill Levy, 2) the portion of the Specific Ownership Tax which is collected as a result of the imposition of the Required Mill Levy, and 3) any other legally available monies which the District determines to be treated as Pledged Revenue. The Series 2016 Bonds are also secured by amounts held in the Reserve Fund. Required Mill Levy means an ad valorem mill levy imposed upon all taxable property of the District each year in an amount sufficient to pay the principal, premium, if any, and interest, including any money received by the District under or pursuant to the Cooperation Agreement (see Note 8), on the Series 2016 Bonds as the same become due and payable and to make up any deficiencies in the Reserve Fund. All of the Bonds shall be additionally secured by a Bond Insurance Policy issued by Assured Guaranty Municipal Corp, rated AA by Standard & Poor's. For collection year 2016, the District levied 21.000 mills for debt service.

The District's long-term obligations will mature as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 510,000	\$ 1,072,800	\$ 1,582,800
2018	625,000	1,057,500	1,682,500
2019	645,000	1,038,750	1,683,750
2020	705,000	1,012,950	1,717,950
2021	735,000	984,750	1,719,750
2022-2026	4,440,000	4,462,150	8,902,150
2027-2031	6,040,000	3,302,000	9,342,000
2032-2036	8,390,000	1,525,900	9,915,900
2037	2,015,000	80,600	2,095,600
	<u>\$ 24,105,000</u>	<u>\$ 14,537,400</u>	<u>\$ 38,642,400</u>

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

**NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)**

**Debt Authorization**

On May 5, 1998, and November 1, 2005, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$30,000,000 and \$50,000,000, respectively, for general obligation bonds at an interest rate not to exceed 18% per annum. In addition, the electors authorized the refunding of up to \$30,000,000 and \$50,000,000, respectively, in general obligation bonds at a lower interest rate. During 2005, the District utilized \$22,785,000 of the \$80,000,000. At December 31, 2016, the District had authorized but unissued general obligation indebtedness in the following amounts allocated for the following purposes:

	<u>Amount Authorized 1998</u>	<u>Amount Authorized 2005</u>	<u>Amount Used Prior to 2005</u>	<u>Amount Used Series 2005</u>	<u>Amount Used Series 2012</u>	<u>Amount Used Series 2016</u>	<u>Remaining Authorization</u>
Street improvements	\$ 12,840,000	\$ 10,000,000	\$ 11,131,721	\$ -	\$ 976,000	\$ 2,500,000	\$ 8,232,279
Safety protection	1,653,000	10,000,000	1,510,648	-	976,000	-	9,166,352
Water systems	2,058,000	10,000,000	972,514	-	976,000	-	10,109,486
Sewer systems	9,060,000	10,000,000	6,120,980	-	976,000	-	11,963,020
Parks and recreation	4,389,000	10,000,000	3,354,137	-	976,000	-	10,058,863
Refunding	30,000,000	50,000,000	-	22,785,000	-	16,725,000	40,490,000
	<u>\$ 60,000,000</u>	<u>\$ 100,000,000</u>	<u>\$ 23,090,000</u>	<u>\$ 22,785,000</u>	<u>\$ 4,880,000</u>	<u>\$ 19,225,000</u>	<u>\$ 90,020,000</u>

Per the original Service Plan, the District is limited to issuing \$23,600,000 in debt. However, on March 27, 2007, an Amended and Restated Service Plan was approved by the City and County of Denver. Per the amended Service Plan, the District can issue additional General Obligation Bonds for improvements to be completed on land that will be included into the District. The maximum amount of General Obligation Bonds the District may issue shall be increased by \$182,000 per acre for each acre of land within the future inclusion area that is included into the District. On October 18, 2010, the District included approximately 76.5 acres into the District resulting in \$13,923,000 of additional authorized debt.

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. However, as of the date of this audit, the amount and timing of any debt issuances is not determinable.

**Developer Advances**

**Funding and Reimbursement Agreement**

On March 1, 2011, the District entered into a Funding and Reimbursement Agreement to repay advances made by the Developer for the 56<sup>th</sup> Avenue and Havana Street Improvements. The District agrees to repay the Developer for such advances along with interest at the rate of 8.0%. The parties agree that payments by the District shall credit first against accrued and unpaid interest, and then to the principal amount due. On August 1, 2016 outstanding advances of \$718,026 and accrued interest of \$299,542 were reimbursed to the developer paying the obligation in full.

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

**NOTE 6 - NET POSITION**

The District has net position consisting of three components – net investment in capital assets, restricted, and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2016, the District had net investment in capital assets calculated as follows:

	<b>Governmental Activities</b>
Net investment in capital assets	
Capital assets, net	\$ 1,678,180
Bond premium (net of accumulated amortization)	(877,363)
Bond discount (net of accumulated amortization)	23,636
Bonds payable	(6,931,069)
Unspent bond proceeds	1,721,103
Net investment in capital assets	\$ (4,385,513)

Restricted assets include net position 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 as of December 31, 2016, as follows:

	<b>Governmental Activities</b>
Restricted net position	
Emergencies	\$ 31,400
Debt service	2,579,268
Total restricted net position	\$ 2,610,668

The District has a deficit in unrestricted net position. This deficit amount is a result of the District being responsible for the financing and repayment of bonds issued for the construction of public improvements which were dedicated to other governmental entities and which costs were removed from the District's financial records.

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

**NOTE 7 - RELATED PARTIES**

The primary developer of the property within the District is ProLogis, a Maryland real estate investment trust (Developer) as successor in interest to Catellus Development Corp., a Delaware Corporation (Catellus). All of the members of the Board of Directors of the District are employees or consultants of the Developer.

The Developer has made cash payments on behalf of the District and entered into the following agreements with the District:

**Three-Party Development Agreement**

The District approved a Three-Party Development Agreement between the District, the City and County of Denver (City), and Prologis (Developer) on December 12, 2006, which was executed on April 11, 2007. Under this agreement, the District and Developer have jointly and severally agreed to fund certain roadway improvements planned by the City along 56<sup>th</sup> Avenue and Havana Street. Additionally, the City will receive up to \$60,000 from the District and/or Developer for traffic movement improvements on 56<sup>th</sup> Avenue. Pursuant to Section 3.1 of the agreement, the District and/or the Developer are obligated to construct or provide funding for the 56<sup>th</sup> Avenue and Havana Street improvements as of January 31, 2009.

On March 26, 2010, the payment terms of this agreement were revised in a Letter Agreement among the District, Developer, and the City. To date, three payments totaling \$1,098,089 have been paid by the District on this project. The District and/or Developer shall remit a final payment to the City within thirty days after receipt of a final written invoice with copies of all change orders, final lien waivers, proof of payment, and other related documents. In addition to the 56<sup>th</sup> Avenue improvements, the Letter Agreement also estimates the cost of the District and Developer's portion of the Havana Street improvements to be \$100,000. The estimated amounts remaining are anticipated to be paid in 2017. The District and Developer entered into a Funding and Reimbursement Agreement (56<sup>th</sup> Avenue and Havana Street Improvements) on March 1, 2011, whereby the Developer agreed to advance funds to the District to make the required payments under the Three-Party Agreement and Letter Agreement and the District shall reimburse the Developer for such advances.

**Maintenance Agreement**

The Developer (as successor in interest to Catellus) and the District entered into a Maintenance Agreement dated October 28, 1999, whereby the District agreed to perform certain maintenance responsibilities located within certain street improvements and railroad crossings, as defined in the Maintenance Agreement, in accordance with applicable state, federal and local standards. The District's obligation to maintain the street improvements and railroad crossing remains until such time as the streets and/or public crossings, as defined in the Maintenance Agreement, are conveyed to the City and County of Denver.

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

**NOTE 7 - RELATED PARTIES (CONTINUED)**

**Infrastructure Cost Participation Agreement – Dallas Street**

The District entered into that certain Infrastructure Cost Participation Agreement (the Dallas Street IGA) with Park Creek Metropolitan District (Park Creek) on November 21, 2013. The Dallas Street IGA provides for the cost sharing of certain water line, storm drainage, and roadway improvements to be constructed within the Dallas Street Right of Way (the Dallas Street Improvements). Pursuant to the Dallas Street IGA, Park Creek will acquire the right of way necessary for the construction of Dallas Street and provide a license to the District to construct the Dallas Street Improvements within the right of way. The District agrees to pay \$22,266 to Forest City representing 50% of the purchase price of the right of way. The District will construct Dallas Street. Park Creek will design and construct the storm drainage line and water line to be installed in Dallas Street. The District agrees to pay to Park Creek \$54,900 for its share of the storm drainage line and \$3,883 for its share of the water line (the District Payment Obligation). Park Creek agrees to pay the District 50% of the actual costs to complete Dallas Street, in an amount not to exceed \$400,000 (the Park Creek Payment Obligation). The District Payment Obligation will be credited against the amount Park Creek owes to the District. Park Creek is obligated to pay the Park Creek Payment Obligation less the District Payment Obligation at such time that Park Creek has completed construction of an extension of Dallas Street south from the terminus of the Dallas Street Improvements constructed under the Dallas Street IGA to 51<sup>st</sup> Avenue. If the Park Creek Payment Obligation is not paid in full on or before 60 days after the District's delivery of: (i) a Notice of Final Acceptance of the Dallas Street Improvements in conformance with the Dallas Street Plans; and (ii) a Final Reconciliation for the Dallas Street Improvements, then the Park Creek Payment Obligation shall bear interest at the rate of 8.5% per annum until paid. Upon completion of the Dallas Street Improvements, it is anticipated that Park Creek will convey Dallas Street to the City and the water line to Denver Water.

**Dallas Street Improvements Project Funding and Acquisition Agreement**

The District and the Developer entered into that certain Dallas Street Improvements Project Funding and Reimbursement Agreement pursuant to which the Developer agreed to either: (i) fund the costs associated with the construction of Dallas Street; or (ii) construct Dallas Street. The District agrees to reimburse any advances made by the Developer from the date of advance until paid with interest at the rate of 8% per annum. If the Developer constructs Dallas Street, the District has agreed to acquire the same and reimburse the Developer for verified costs spent in constructing Dallas Street together with interest thereon at 8% per annum accruing from the date the verified costs were incurred by the Developer. Construction began in 2014 but as of December 31, 2016, the project costs have not been acquired by the District.

**Construction Management Services Agreement**

The District and Prologis Logistics Services Incorporated (Manager) entered into that certain Construction Management Services Agreement for infrastructure being installed in Stapleton Business Center North. Pursuant to the Construction Management Services Agreement, the Manager agreed to provide construction management services with respect to the Stapleton Business Center North infrastructure project being undertaken by the District in exchange for payment equal to 5% of the Construction Costs.

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

**NOTE 8 - DENVER URBAN RENEWAL AUTHORITY**

During 2000, the District was notified that the land encompassing the District was included within the Stapleton Urban Redevelopment Plan Area (Plan). The Plan includes incremental property tax financing under the Colorado Urban Renewal Law under the direction of the Denver Urban Renewal Authority (DURA) which would normally freeze the property taxes collectable by the District at the year 2000 base level, subject to certain adjustments. In order to provide interconnection of public improvements and services to serve the entire Plan area with DURA, the District and DURA entered into a Cooperation Agreement dated July 15, 2000, as amended on May 1, 2004, and April 11, 2007. Under the Cooperation Agreement, DURA acknowledges that property tax revenue attributable to the District's debt service mill levy relating to the District's authorized general indebtedness in an amount not to exceed \$30,000,000 are excluded from the Plan and will not affect or change the payment of such revenue to the District. The first amendment to the Cooperation Agreement provided that the obligation to make payments of certain property tax revenue received by DURA to the District constitutes a legal, binding and enforceable obligation of DURA.

**NOTE 9 - 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). The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' 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 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.

**NOTE 10 - 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 that 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.

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

**NOTE 10 - TAX, SPENDING AND DEBT LIMITATIONS (CONTINUED)**

On May 5, 1998 and November 1, 2005, a majority of the District's electors authorized the District to collect and spend or retain in a reserve annually \$1,000,000 of all revenue other than ad valorem taxes of the District and authorized tax levies to produce taxes of \$1,000,000 annually for operations and maintenance without regard to any limitations under TABOR.

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

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

This information is an integral part of the accompanying financial statements.

## **SUPPLEMENTAL INFORMATION**

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

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Property taxes	\$ 122,035	\$ 122,035	\$ 119,875	\$ (2,160)
Property taxes remitted to DURA	1,336,186	1,336,186	1,305,386	(30,800)
Specific ownership taxes	87,500	87,500	96,590	9,090
Net investment income	5,700	5,700	18,079	12,379
Total revenues	<u>1,551,421</u>	<u>1,551,421</u>	<u>1,539,930</u>	<u>(11,491)</u>
<b>EXPENDITURES</b>				
Current				
County Treasurer's fees	14,600	14,600	14,256	344
Contingency	23,430	26,798	-	26,798
Debt service				
Bond principal - Series 2005	490,000	-	-	-
Bond interest - Series 2005	971,070	485,535	485,535	-
Bond interest - Series 2012	195,200	195,200	195,200	-
Bond interest - Series 2016	-	82,884	82,884	-
Bond issue costs	-	260,579	260,579	-
Bond insurance	-	149,581	149,581	-
Paying agent fees	1,000	1,000	638	362
Total expenditures	<u>1,695,300</u>	<u>1,216,177</u>	<u>1,188,673</u>	<u>27,504</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(143,879)	335,244	351,257	16,013
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers to other funds	-	(2,500,000)	(2,500,000)	-
Refunding and improvement bonds	-	19,225,000	19,225,000	-
Bond premium	-	3,075,148	3,075,148	-
Payment to refunded bond escrow	-	(19,883,823)	(19,883,823)	-
Total other financing sources (uses)	<u>-</u>	<u>(83,675)</u>	<u>(83,675)</u>	<u>-</u>
<b>EXCESS OF REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	(143,879)	251,569	267,582	16,013
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>2,392,397</u>	<u>2,392,397</u>	<u>2,401,086</u>	<u>8,689</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 2,248,518</u>	<u>\$ 2,643,966</u>	<u>\$ 2,668,668</u>	<u>\$ 24,702</u>

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

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Net investment income	\$ 1,500	\$ 1,500	\$ 10,203	\$ 8,703
Reimbursement from other District	225,000	225,000	-	(225,000)
Total revenues	<u>226,500</u>	<u>226,500</u>	<u>10,203</u>	<u>(216,297)</u>
<b>EXPENDITURES</b>				
Capital Outlay	-	2,100,000	-	2,100,000
Engineering	-	-	1,838	(1,838)
56th Avenue improvements	1,500,000	1,500,000	-	1,500,000
Havana Street improvements	400,000	400,000	-	400,000
Total expenditures	<u>1,900,000</u>	<u>4,000,000</u>	<u>1,838</u>	<u>3,998,162</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>				
	<u>(1,673,500)</u>	<u>(3,773,500)</u>	<u>8,365</u>	<u>3,781,865</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds	1,240,000	3,740,000	3,483,437	(256,563)
Developer advance	-	4,000,000	-	(4,000,000)
Repay developer advance	-	(4,893,143)	(1,017,568)	3,875,575
Total other financing sources (uses)	<u>1,240,000</u>	<u>2,846,857</u>	<u>2,465,869</u>	<u>(380,988)</u>
<b>EXCESS OF REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>				
	<u>(433,500)</u>	<u>(926,643)</u>	<u>2,474,234</u>	<u>3,400,877</u>
<b>FUND BALANCES - BEGINNING OF YEAR</b>				
	<u>926,643</u>	<u>926,643</u>	<u>984,468</u>	<u>57,825</u>
<b>FUND BALANCES - END OF YEAR</b>				
	<u>\$ 493,143</u>	<u>\$ -</u>	<u>\$ 3,458,702</u>	<u>\$ 3,458,702</u>

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

Year Ended December 31,	<b>\$4,880,000</b> General Obligation Bonds Series 2012, Dated December 19, 2012 Interest Rate of 4.00% Interest Payable June 1 and December 1, Principal Due December 1			<b>\$19,225,000</b> General Obligation Refunding and Improvement Bonds Series 2016, Dated October 27, 2016 Interest Rate Varying from 3.00% - 5.00% Interest Payable June 1 and December 1, Principal Due December 1		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ -	\$ 195,200	\$ 195,200	\$ 510,000	\$ 877,600	\$ 1,387,600
2018	-	195,200	195,200	625,000	862,300	1,487,300
2019	-	195,200	195,200	645,000	843,550	1,488,550
2020	-	195,200	195,200	705,000	817,750	1,522,750
2021	-	195,200	195,200	735,000	789,550	1,524,550
2022	-	195,200	195,200	795,000	760,150	1,555,150
2023	-	195,200	195,200	830,000	728,350	1,558,350
2024	-	195,200	195,200	895,000	695,150	1,590,150
2025	-	195,200	195,200	920,000	674,250	1,594,250
2026	-	195,200	195,200	1,000,000	628,250	1,628,250
2027	-	195,200	195,200	1,050,000	578,250	1,628,250
2028	-	195,200	195,200	1,140,000	525,750	1,665,750
2029	-	195,200	195,200	1,195,000	468,750	1,663,750
2030	-	195,200	195,200	1,295,000	409,000	1,704,000
2031	-	195,200	195,200	1,360,000	344,250	1,704,250
2032	-	195,200	195,200	1,465,000	276,250	1,741,250
2033	-	195,200	195,200	1,535,000	203,000	1,738,000
2034	-	195,200	195,200	2,525,000	126,250	2,651,250
2035	1,390,000	195,200	1,585,200	-	-	-
2036	1,475,000	139,600	1,614,600	-	-	-
2037	2,015,000	80,600	2,095,600	-	-	-
	<u>\$ 4,880,000</u>	<u>\$ 3,929,000</u>	<u>\$ 8,809,000</u>	<u>\$ 19,225,000</u>	<u>\$ 10,608,400</u>	<u>\$ 29,833,400</u>

**SBC METROPOLITAN DISTRICT**  
**SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY**  
**December 31, 2016**  
**(Continued)**

<u>Year Ended December 31,</u>	<u>Total</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 510,000	\$ 1,072,800	\$ 1,582,800
2018	625,000	1,057,500	1,682,500
2019	645,000	1,038,750	1,683,750
2020	705,000	1,012,950	1,717,950
2021	735,000	984,750	1,719,750
2022	795,000	955,350	1,750,350
2023	830,000	923,550	1,753,550
2024	895,000	890,350	1,785,350
2025	920,000	869,450	1,789,450
2026	1,000,000	823,450	1,823,450
2027	1,050,000	773,450	1,823,450
2028	1,140,000	720,950	1,860,950
2029	1,195,000	663,950	1,858,950
2030	1,295,000	604,200	1,899,200
2031	1,360,000	539,450	1,899,450
2032	1,465,000	471,450	1,936,450
2033	1,535,000	398,200	1,933,200
2034	2,525,000	321,450	2,846,450
2035	1,390,000	195,200	1,585,200
2036	1,475,000	139,600	1,614,600
2037	2,015,000	80,600	2,095,600
	<u>\$ 24,105,000</u>	<u>\$ 14,537,400</u>	<u>\$ 38,642,400</u>

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

<u>Year Ended December 31,</u>	<u>Prior Year Assessed Valuation for Current Year Property Tax Levy</u>	<u>Prior Year Increment Assessed Valuation for Current Year Property Tax Levy</u>	<u>Mills Levied</u>	
			<u>Operations</u>	<u>Debt Service</u>
2012	\$ 11,509,583	\$ 39,681,007	7.400	27.600
2013	\$ 11,509,583	\$ 39,871,447	7.400	27.600
2014	\$ 5,705,251	\$ 52,787,229	7.400	27.600
2015	\$ 5,922,860	\$ 56,289,800	7.400	27.600
2016	\$ 5,811,201	\$ 63,627,889	14.000	21.000
Estimated for the year ending December 31, 2017	\$ 6,029,302	\$ 70,227,958	14.000	21.000

**NOTE:**

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

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

<u>Year Ended December 31,</u>	<u>Total Property Taxes</u>		<u>DURA Cooperation Agreement Based on Increment Value</u>		<u>Percentage Collected to Levied</u>	<u>Total Collections</u>
	<u>Levied</u>	<u>Collected</u>	<u>Levied</u>	<u>Collected</u>		
2012	\$ 402,835	\$ 401,238	\$ 1,388,835	\$ 1,384,366	99.7%	\$ 1,785,604
2013	\$ 402,835	\$ 402,835	\$ 1,395,501	\$ 1,395,501	100.0%	\$ 1,798,336
2014	\$ 199,683	\$ 197,066	\$ 1,847,553	\$ 1,818,068	98.4%	\$ 2,015,134
2015	\$ 207,299	\$ 215,536	\$ 1,970,143	\$ 2,027,406	103.0%	\$ 2,242,942
2016	\$ 203,392	\$ 199,792	\$ 2,226,976	\$ 2,194,542	98.5%	\$ 2,394,334
Estimated for the year ending December 31, 2017	\$ 211,025		\$ 2,457,978			

**NOTE:**

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

**CONTINUING DISCLOSURE  
ANNUAL FINANCIAL INFORMATION**

**(Unaudited)**

**SBC METROPOLITAN DISTRICT  
CONTINUING DISCLOSURE ANNUAL FINANCIAL INFORMATION  
(Unaudited)  
December 31, 2016**

**Taxpayers in the District for 2016**

<u>Name</u>	<u>Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
CATELLUS DEVELOPMENT CORP	\$ 16,003,410	20.99%
PROLOGIS	11,752,460	15.41%
SF PACIFIC PROPERTIES INC	5,771,770	7.57%
PROLOGIS MCA II LLC	5,146,280	6.75%
BOULDER BRANDS USA, INC.	4,188,420	5.49%
CATELLUS PORTFOLIO I LLC	3,946,580	5.18%
PS MOUNTAIN WEST LLC	2,080,230	2.73%
GE CAPITAL COMMERCIAL INC	1,809,860	2.37%
CHAMPION REALTY COMPANY OF S BRAGAW LLC	1,783,500	2.34%
	1,545,990	2.03%
	<u>\$ 54,028,500</u>	<u>70.86%</u>

**2016 Assessed Valuation of Classes of Property in the District**

<u>Class</u>	<u>Total Assessed Valuation*</u>	<u>Percentage of Total Assessed Valuation</u>
Commercial	\$ 59,890,790	78.54%
Personal property	15,209,890	19.95%
Vacant	612,080	0.80%
Industrial	544,500	0.71%
	<u>\$ 76,257,260</u>	<u>100.00%</u>

\* The assessed value includes \$70,227,958 of TIF from DURA.

**SBC METROPOLITAN DISTRICT  
CONTINUING DISCLOSURE ANNUAL FINANCIAL INFORMATION  
(Unaudited)  
December 31, 2016**

**Estimated Overlapping General Obligation Debt**

<u>Overlapping Entity (1)</u>	<u>2016 Assessed Valuation</u>	<u>Outstanding General Obligation Debt</u>	<u>Net Outstanding General Obligation Debt Chargeable to Properties Within the District</u>	
			<u>Percent (2)</u>	<u>Amount</u>
City and County of Denver	\$ 14,659,085,700	\$ 761,405,500	0.52%	\$ 3,960,868
Denver School District No. 1	\$ 14,384,910,000	\$ 14,332,000,000	0.53%	75,976,774
				<u>\$ 79,937,642</u>

- (1) The following entities also overlap the District but have no reported general obligation debt outstanding: Regional Transportation District and Urban Drainage and Flood Control District.
- (2) The percentage of each entity's outstanding debt chargeable to District property owners is calculated by comparing the assessed valuation of the portion overlapping the District to the total assessed valuation of the overlapping entity.

**Selected Debt Ratios of the District**

Direct debt (including the bonds)	\$ 24,105,000
Overlapping debt	79,937,642
Total direct debt and overlapping debt	<u>\$ 104,042,642</u>
2016 District assessed valuation	\$ 76,257,260
Direct debt to 2016 assessed valuation	31.61%
Direct debt plus overlapping debt to 2016 assessed valuation	136.44%
2016 District statutory "actual" value	\$ 208,629,500
Direct debt to statutory "actual" value	11.55%
Direct debt plus overlapping debt to statutory "actual" value	49.87%