

SOUTHGLENN METROPOLITAN DISTRICT
Arapahoe County, Colorado

FINANCIAL STATEMENTS
December 31, 2016



RECEIVED

By the Office of the State Auditor at 7:14 am, Sep 28, 2017

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	I
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements:	
Statement of Net Position	1
Statement of Activities	2
Fund Financial Statements:	
Balance Sheet - Governmental Funds	3
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	4
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	5
General Fund - Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	6
Notes to Financial Statements	7
SUPPLEMENTARY INFORMATION	25
Debt Service Fund - Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	26
Schedule of Debt Service Requirements to Maturity	27
Summary of Assessed Valuation, Mill Levy and Property Taxes Collected	28



Certified Public Accountants and Business Consultants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Southglenn Metropolitan District
Arapahoe County, Colorado

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

I

Barnes Griggs & Associates, PC

Other Matters

Economic Dependency

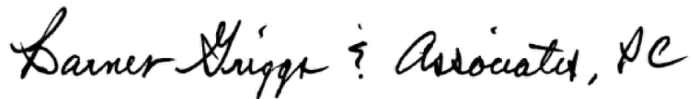
As disclosed in Note 11 to the financial statements, the District has not yet established a revenue base sufficient to pay the District's operational expenditures. Until an independent revenue base is established, the District may be dependent upon the developer of the District's service area for funding of continued operations.

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 statement in an appropriate operation, 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.



Lakewood, Colorado
September 21, 2017

BASIC FINANCIAL STATEMENTS

SOUTHGLENN METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
December 31, 2016

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 585,033
Cash and investments - Restricted	3,830,190
Prepaid expenses	29,755
Receivable from County Treasurer	14,764
Property taxes receivable	898,490
Capital assets, net:	
Parking garage	13,054,800
Easements	31,605,082
Total assets	<u>50,018,114</u>
LIABILITIES	
Accounts payable	54,296
Due to County Treasurer - CURA	106,239
Accrued interest payable	274,081
Noncurrent liabilities:	
Due within one year	2,362,252
Due in more than one year	84,109,819
Total liabilities	<u>86,906,687</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred property tax revenue	898,490
Total deferred inflows of resources	<u>898,490</u>
NET POSITION	
Net investment in capital assets	(36,283,659)
Restricted for:	
Emergency reserves	17,300
Debt service	25,919
Unrestricted	(1,546,623)
Total net position	<u><u>\$ (37,787,063)</u></u>

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

**SOUTHGLENN METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
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	\$ 3,644,789	\$ -	\$ -	\$ -	\$ (3,644,789)
Interest and related costs on long-term debt	5,659,499	-	5,894,950	-	235,451
	<u>\$ 9,304,288</u>	<u>\$ -</u>	<u>\$ 5,894,950</u>	<u>\$ -</u>	<u>(3,409,338)</u>
General revenues:					
Property taxes					867,807
Specific ownership taxes					202,203
Net investment income					26,160
Insurance reimbursement					35,532
Total general revenues					<u>1,131,702</u>
Change in net position					<u>(2,277,636)</u>
Net position - Beginning					<u>(35,509,427)</u>
Net position - Ending					<u>\$ (37,787,063)</u>

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

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

	General	Debt Service	Total Governmental Funds
ASSETS			
Cash and investments	\$ 585,033	\$ -	\$ 585,033
Cash and investments - Restricted	17,300	3,812,890	3,830,190
Prepaid expenses	29,755	-	29,755
Receivable from County Treasurer	-	14,764	14,764
Property taxes receivable	464,684	433,806	898,490
Due from other funds	-	3,952	3,952
TOTAL ASSETS	\$ 1,096,772	\$ 4,265,412	\$ 5,362,184
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 31,022	\$ 23,274	\$ 54,296
Due to County Treasurer - CURA	5,907	100,332	106,239
Due to other funds	3,952	-	3,952
Total liabilities	40,881	123,606	164,487
DEFERRED INFLOWS OF RESOURCES			
Deferred property tax revenue	464,684	433,806	898,490
Total deferred inflows of resources	464,684	433,806	898,490
FUND BALANCES			
Nonspendable			
Prepaid expenses	29,755	-	29,755
Restricted for:			
Emergency reserve	17,300	-	17,300
Debt service	-	3,708,000	3,708,000
Unassigned	544,152	-	544,152
Total fund balances	591,207	3,708,000	4,299,207
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,096,772	\$ 4,265,412	

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 in the funds.		
Capital assets, net		44,659,882
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds payable		(76,170,000)
Bond premium (net of amortization)		(2,220,980)
Developer advance payable		(4,486,937)
Developer advance interest payable		(3,594,154)
Accrued interest on bonds		(274,081)
Net position of governmental activities		\$ (37,787,063)

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

SOUTHGLENN 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>Total Governmental Funds</u>
REVENUES			
Property taxes	\$ 144,696	\$ 723,111	\$ 867,807
CURA property taxes - net of refunds/abatements	277,263	4,709,485	4,986,748
CURA sales/use taxes	-	908,202	908,202
Specific ownership taxes	149,828	52,375	202,203
Insurance reimbursement	35,532	-	35,532
Net investment income	3,470	22,690	26,160
Total revenues	<u>610,789</u>	<u>6,415,863</u>	<u>7,026,652</u>
EXPENDITURES			
Current			
Accounting	53,795	-	53,795
Audit	5,950	-	5,950
County Treasurer's fees	2,165	10,816	12,981
Election	27,109	-	27,109
Insurance	28,802	-	28,802
District management	15,649	-	15,649
Engineering and design	901	-	901
Legal	15,784	-	15,784
Stormwater fees	4,636	-	4,636
Parking garage repairs	8,501	-	8,501
Management fees	13,772	-	13,772
Reimbursed maintenance	393,482	-	393,482
Interest expense - refunds and abatements	474	2,368	2,842
2016 Financing	28,333	-	28,333
Miscellaneous	1,203	-	1,203
Debt service			
Paying agent fees	-	16,500	16,500
Bond principal - Series 2008	-	8,000,000	8,000,000
Note principal - Series 2014	-	68,160,000	68,160,000
Bond interest - Series 2008	-	740,139	740,139
Bond interest - Series 2016	-	630,387	630,387
Note interest - Series 2014	-	1,895,931	1,895,931
CURA fees	-	23,274	23,274
Bond issuance costs	-	1,874,308	1,874,308
Total expenditures	<u>600,556</u>	<u>81,353,723</u>	<u>81,954,279</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>10,233</u>	<u>(74,937,860)</u>	<u>(74,927,627)</u>
OTHER FINANCING SOURCES (USES)			
Bond issuance	-	76,170,000	76,170,000
Bond premium	-	2,248,245	2,248,245
Transfers from other fund	-	44,649	44,649
Transfers to other funds	(44,649)	-	(44,649)
Developer advance	407,254	-	407,254
Repayment of developer advance	-	(3,150,000)	(3,150,000)
Total other financing sources (uses)	<u>362,605</u>	<u>75,312,894</u>	<u>75,675,499</u>
NET CHANGE IN FUND BALANCES	372,838	375,034	747,872
FUND BALANCES - BEGINNING OF YEAR	218,369	3,332,966	3,551,335
FUND BALANCES - END OF YEAR	<u>\$ 591,207</u>	<u>\$ 3,708,000</u>	<u>\$ 4,299,207</u>

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

**SOUTHGLENN 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	\$	747,872
--	----	---------

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/amortization expense the allocation of the cost of any depreciable asset over the estimated useful life of the asset. Therefore, this is the amount of capital outlay, net of depreciation/amortization, in the current period.

Depreciation/amortization		(3,044,233)
---------------------------	--	-------------

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 issuance costs, 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 issuance		(76,170,000)
Bond premium		(2,248,245)
Bond principal payment		76,160,000
Amortization of bond premium		27,265
Developer advance		(407,254)
Repayment of Developer advance		3,150,000

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.

Accrued interest on Developer advance		(440,867)
Accrued interest on bonds - Change in liability		(246,998)
Accrued interest on loan - Change in liability		194,824

Changes in net position of governmental activities	\$	<u>(2,277,636)</u>
--	----	--------------------

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

**SOUTHGLENN METROPOLITAN DISTRICT
GENERAL FUND
STATEMENT 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>		
REVENUES				
Property taxes	\$ 150,253	\$ 144,696	\$ 144,696	\$ -
CURA property taxes - net of refunds/abatements	251,242	277,263	277,263	-
Specific ownership taxes	190,970	149,828	149,828	-
Insurance reimbursement	-	35,532	35,532	-
Net investment income	1,000	3,380	3,470	90
Total revenues	<u>593,465</u>	<u>610,699</u>	<u>610,789</u>	<u>90</u>
EXPENDITURES				
Current				
Accounting	60,000	60,000	53,795	6,205
Audit	6,000	5,950	5,950	-
County Treasurer's fees	2,254	2,165	2,165	-
Election	9,000	27,000	27,109	(109)
Insurance	23,570	28,802	28,802	-
District management	20,000	16,500	15,649	851
Engineering and design	-	901	901	-
Legal	37,000	20,000	15,784	4,216
Stormwater fees	5,000	4,636	4,636	-
Parking garage repairs	-	8,501	8,501	-
Management fees	14,000	21,000	13,772	7,228
Reimbursed maintenance	400,000	600,000	393,482	206,518
Miscellaneous	2,500	1,163	1,203	(40)
Interest expense - refunds and abatements	-	474	474	-
2016 Financing	-	28,333	28,333	-
Contingency	2,534	-	-	-
Total expenditures	<u>581,858</u>	<u>825,425</u>	<u>600,556</u>	<u>224,869</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>11,607</u>	<u>(214,726)</u>	<u>10,233</u>	<u>224,959</u>
OTHER FINANCING SOURCES (USES)				
Transfers to other fund	-	(71,375)	(44,649)	26,726
Developer advance	414,000	621,000	407,254	(213,746)
Repayment of Developer advance	(450,000)	-	-	-
Total other financing uses	<u>(36,000)</u>	<u>549,625</u>	<u>362,605</u>	<u>(187,020)</u>
NET CHANGE IN FUND BALANCES	(24,393)	334,899	372,838	37,939
FUND BALANCES - BEGINNING OF YEAR	184,353	218,369	218,369	-
FUND BALANCES - END OF YEAR	<u>\$ 159,960</u>	<u>\$ 553,268</u>	<u>\$ 591,207</u>	<u>\$ 37,939</u>

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

SOUTHGLENN METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 1 - DEFINITION OF REPORTING ENTITY

Southglenn Metropolitan District (District), a quasi-municipal corporation and political subdivision of the State of Colorado, was organized by order and decree of the District Court of Arapahoe County on November 23, 2005, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District operates under a Service Plan approved by the City of Centennial on September 19, 2005. The District's service area is located entirely within the City of Centennial, Arapahoe County, Colorado. The District was established to provide financing for the design, acquisition, relocation, installation and construction of water, sanitation, streets, traffic and safety controls, park and recreation facilities, public transportation systems, security services, and mosquito control. The District also provides the funding for infrastructure improvements and the tax base needed to support ongoing operations.

The District is located within an urban renewal authority created by the City of Centennial. The District and the Centennial Urban Renewal Authority (CURA) have agreed to a Public Finance Agreement (see Note 8).

The District's service plan does not limit the mill levy for operations and maintenance. The mill levy for operations and maintenance shall not be subject to the Maximum Debt Mill Levy and can be increased as necessary to provide services to its taxpayers and service users. The Maximum Debt Mill Levy allowed by the service plan is 50.000 mills as adjusted for changes in the method of calculating assessed value. The Maximum Debt Mill Levy at December 31, 2016, is 50.000 mills.

Subsequent to year end, the residential assessment rate was changed from 7.96% to 7.20%. Based upon the May 2017 preliminary assessed valuations, the service plan limitation of 50.000 mills could be increased to 50.385 mills. The final adjusted mill levy will be based upon final assessed value for collection in Budget Year 2018.

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.

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

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.

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. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Depreciation and amortization is computed and recorded as an operating expense. Expenditures for capital assets are shown as increases in assets and redemption of bonds and notes are recorded as a reduction in liabilities.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period except for insurance reimbursements. The major sources of revenue susceptible to accrual are property taxes, specific ownership taxes and sales and use 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.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 general obligation debt of the governmental funds.

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.

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 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.

Interfund Balances

The District reports interfund balances that are representative of lending/borrowing arrangements between funds in the fund financial statements as due to/from other funds. The interfund balances have been eliminated in the government-wide statements.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes

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

Property taxes, 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 property and equipment, easements, and infrastructure assets (e.g. roads, bridges, 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. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition 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 the net investment in capital assets.

The majority of the District's capital assets are in the form of an easement over most of the public infrastructure. This easement enables the District to maintain the infrastructure and satisfies the responsibility to the public infrastructure. Expenditures in the fund accounting statements represent the type of asset being built with public financing and are presented in the government-wide statements as an easement. Because the Southglenn easement offers the District the ability to access and maintain all of the public infrastructure being constructed with the municipal bond proceeds, the asset easement is valued at the cost of the construction and is amortized over the remaining life of the underlying assets.

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.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

Deferred Inflows of Resources

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 reported only 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.

In the government-wide financial statements, fund equity is classified as net position. Net position may be classified into three components: net investment in capital assets, restricted and unrestricted. These classifications are defined as follows:

- Net investment in capital assets – this component of net position consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any debt that is attributable to the acquisition, construction or improvement of those assets. If there are significant unspent debt proceeds at year end, the portion of the debt attributable to the unspent proceeds is not included in this component.

SOUTHGLENN METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Restricted – this component of net position consists of assets that are restricted for use as imposed by external parties such as creditors, grantors or contributors, or as imposed by laws or regulations of other governments, or as imposed through constitutional provisions or enabling legislation.
- Unrestricted – the component of net position that does not meet the definitions above.

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.
- *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.

SOUTHGLENN METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

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	\$ 585,033
Cash and investments - Restricted	<u>3,830,190</u>
Total cash and investments	<u>\$ 4,415,223</u>

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

Investments	\$ 4,415,223
Total cash and investments	<u>\$ 4,415,223</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 had no deposits with financial institutions.

Investments

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

The District generally limits its concentration of investments to those noted with an asterisk (*) below, which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk 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. 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

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

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

- . 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.

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

Investment	Maturity	Fair Value
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted average under 60 days	<u>\$ 4,415,223</u>

CSAFE

The District invested in the Colorado Surplus Asset Fund Trust (CSAFE), which is an investment vehicle established by state statutes for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust is similar to a money market fund, with each share valued at \$1.00. CSAFE may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain money market funds and highest rated commercial paper. A designated custodial bank serves as custodian for CSAFE's portfolio pursuant to a custodian agreement. The custodian acts as safekeeping agent for CSAFE's investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by CSAFE. CSAFE is rated AAAM by Standard & Poor's.

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

NOTE 4 - CAPITAL ASSETS

An analysis of the change in capital assets for the year ended December 31, 2016, follows:

	Balance at December 31, 2015	Increases	Decreases	Balance at December 31, 2016
Governmental Activities:				
Capital assets, being depreciated/ amortized:				
Parking garage	\$ 19,582,200	\$ -	\$ -	\$ 19,582,200
Easement	47,390,919	-	-	47,390,919
Total capital assets, being depreciated/ amortized	<u>66,973,119</u>	<u>-</u>	<u>-</u>	<u>66,973,119</u>
Less accumulated depreciation/ amortization for:				
Parking garage	5,637,300	890,100	-	6,527,400
Easement	13,631,704	2,154,133	-	15,785,837
Total accumulated depreciation/ amortization	<u>19,269,004</u>	<u>3,044,233</u>	<u>-</u>	<u>22,313,237</u>
Total capital assets, net	<u>47,704,115</u>	<u>(3,044,233)</u>	<u>-</u>	<u>44,659,882</u>
Governmental activities capital assets, net	<u>\$ 47,704,115</u>	<u>\$(3,044,233)</u>	<u>\$ -</u>	<u>\$ 44,659,882</u>

Depreciation and amortization expense for the year ended December 31, 2016, was charged to general government function/program in the amount of \$3,044,233.

**SOUTHGLENN 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 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>
Governmental Activities:					
Subordinate convertible capital appreciation special revenue bonds Series 2008	\$ 8,000,000	\$ -	8,000,000	\$ -	\$ -
Tax Supported Revenue Refunding Loan Series 2014	68,160,000	-	68,160,000	\$ -	-
Special Revenue Refunding Bonds Series 2016	-	76,170,000	-	76,170,000	2,220,000
Developer advances - Operating	1,527,122	407,254	-	1,934,376	-
Developer advances - Capital	5,702,561	-	3,150,000	2,552,561	-
Developer advance interest - Operating	330,270	91,627	-	421,897	-
Developer advance interest - Capital	2,823,017	349,240	-	3,172,257	-
	<u>86,542,970</u>	<u>77,018,121</u>	<u>79,310,000</u>	<u>84,251,091</u>	<u>2,220,000</u>
Unamortized bond premium	-	2,248,245	27,265	2,220,980	142,252
	<u>\$ 86,542,970</u>	<u>\$ 79,266,366</u>	<u>\$ 79,337,265</u>	<u>\$ 86,472,071</u>	<u>\$ 2,362,252</u>

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

\$6,198,160 Subordinate Convertible Capital Appreciation Special Revenue Bonds, Series 2008, dated September 5, 2008, with an interest rate of 8.125%. From the date of issuance through December 15, 2011 (the Conversion Date), the bonds will be capital appreciation bonds. During this period the bonds will pay no interest and will accrete in value at an accretion rate of 8.125%. On the Conversion Date the bonds will cease to be capital appreciation bonds and will have a value of \$8,000,000 that will automatically convert to current interest bonds. Interest not paid on the bonds when due will compound annually on December 15 at the stated interest rate on the bonds. The bonds are subject to redemption prior to maturity at the option of the District, as a whole or in multiples of \$1,000, on December 15, 2011, and any date thereafter for the life of the bonds, at a redemption price equal to 103% of the principal amount thereof to be redeemed plus accrued and unpaid interest to such redemption date.

The Series 2008 Bonds were paid and canceled with proceeds from the Series 2016 Bonds.

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

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

\$73,725,000 Tax Supported Revenue Refunding Loan, Series 2014, dated February 3, 2014, with an annual interest rate of 3.43%, with interest payable on June 1 and December 1, and principal payable on December 1 and commencing on December 1, 2014. The loan is payable in full on the maturity date of February 3, 2019. The loan is secured by and payable from the Pledged revenue consisting of monies derived by the District from the following sources, net of any collection costs: 1) monies allocated to the District pursuant to the Public Finance Agreement (see Note 8), 2) the Required Mill Levy, 3) during the PFA Term, all amounts received by the District pursuant to the Public Finance Agreement less that portion allocable to the District Operating and Maintenance Mill Levy, and 4) any other legally available monies of the District that, in its sole discretion, the District transfers (or causes to be transferred) to the Custodian with instructions that such monies are to be applied to the payment of the Loan. The loan is also secured by amounts held by the Trustee in the Reserve Fund, which was initially funded with the proceeds of the bonds in the amount of \$2,300,000. 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 on the loan as the same become due and payable. The minimum Required Mill Levy is 50.000 mills, adjusted for changes in the ratio of actual value to assessed value of property within the District. As of December 31, 2016, the adjusted maximum mill levy is 50.000 mills. PFA Term means the Term in the Public Finance Agreement.

The Series 2014 Loan was paid and canceled with proceeds from the Series 2016 Bonds.

\$76,170,000 Special Revenue Refunding Bonds, Series 2016, dated September 22, 2016.

The proceeds from the sale of the Bonds were used to: (i) pay the costs of refunding the District's outstanding Subordinate Convertible Capital Appreciation Special Revenue Bonds, Series 2008; (ii) pay the costs of refunding the District's outstanding Tax Supported Revenue Refunding Loan 2014; (iii) fund the Reserve Fund; (iv) pay the costs in connection with the issuance of the Bonds; and, (v) repay Developer capital advances.

The Bonds bear interest at rates ranging from 3.00% to 5.00% payable semi-annually on each June 1 and December 1, beginning on December 1, 2016. Annual mandatory sinking fund principal payments are due on December 1, beginning on December 1, 2017. The Bonds mature on December 1, 2046, and are subject to optional redemption on December 1, 2021, and on any date thereafter, upon payment of par and accrued interest, at the following price.

Redemption Date	Redemption Premium
December 1, 2021 through November 30, 2022	103%
December 1, 2022 through November 30, 2023	102%
December 1, 2023 through November 30, 2024	101%
December 1, 2024 and thereafter	100%

The Bonds are also subject to extraordinary mandatory redemption on December 1 in each year, commencing December 1, 2017, solely from and to the extent of moneys on deposit in the Redemption Account of the Bond Fund on October 15 in each such year. Such redemptions are anticipated to occur on December 1, 2017 and on December 1, 2030, after the termination of the Mill Levy Stabilization Fund on November 22, 2030.

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

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

The Bonds are secured by and payable solely from and to the extent of the Pledged Revenue, which is defined in the Indenture as follows:

- (a) *during* the PFA Term:
 - (i) the Net Pledged Property Tax Revenues;
 - (ii) the Net Pledged Sales Tax Revenues; and
 - (iii) all amounts allocable to the Property Tax Base derived from imposition of the Required Mill Levy, less costs of collection;
- (b) *after* the PFA Term:
 - (i) all amounts derived from imposition of the Required Mill Levy, less costs of collection; and
- (c) *both during and after* the PFA Term:
 - (i) Specific Ownership Taxes; and
 - (ii) any other legally available moneys of the District that, in its sole discretion, the District transfers (or causes to be transferred) to the Trustee for application as Pledged Revenue.

Pledged Revenue shall be applied to the following funds and in the following order:

- FIRST: Interest Account of the Bond Fund;
- SECOND: Principal Account of the Bond Fund;
- THIRD: Reserve Fund, the amount necessary, if any, to replenish the amount therein to the Reserve Requirement;
- FOURTH: *During the PFA Term:* Mill levy Stabilization Fund, the amount, if any, to cause the amount therein to equal a minimum amount of \$300,000, until its termination of November 22, 2030;
- FIFTH: *During the PFA Term:* Redemption Account of the Bond Fund;
- SIXTH: *After the PFA Term:* Any fund or account as may be established for the payment of Subordinate Bonds; and
- SEVENTH: *After the PFA Term:* Any fund or account as may be designated by the District.

The Bonds are further secured by the Reserve Fund, which will initially be funded with proceeds of the Bonds in the amount of \$3,408,000.

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

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

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

	Governmental Activities		Total
	Principal	Interest	
2017	\$ 2,220,000	\$ 3,288,975	\$ 5,508,975
2018	2,420,000	3,222,375	5,642,375
2019	2,540,000	3,149,775	5,689,775
2020	2,750,000	3,073,575	5,823,575
2021	2,880,000	2,991,075	5,871,075
2022-2026	17,555,000	13,370,125	30,925,125
2027-2031	19,530,000	9,200,500	28,730,500
2032-2036	5,325,000	6,073,250	11,398,250
2037-2041	7,395,000	4,545,500	11,940,500
2042-2046	13,555,000	2,435,500	15,990,500
	<u>\$ 76,170,000</u>	<u>\$ 51,350,650</u>	<u>\$ 127,520,650</u>

Refunding

On September 22, 2016, the District refunded and paid \$8,000,000 of Subordinate Convertible Capital Appreciation Special Revenue Bonds dated September 5, 2008 with an average interest rate of 8.125%, and a \$68,160,000 Tax Supported Revenue Refunding Loan dated February 3, 2014 with an average interest rate of 3.43% by the issuance of \$76,170,000 Special Revenue Refunding Bonds dated September 22, 2016 with interest varying from 3.00% to 5.00%. The District advance refunded the 2008 Series bonds and 2014 Series Loan to reduce its total debt service payments over the next 30 years by almost \$9,825,045 and to obtain an economic gain of \$16,149,326.

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

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

Authorized Debt

On November 1, 2005, a majority of the qualified electors of the District who voted in the election authorized the issuance of indebtedness in an amount not to exceed \$760,500,000 at an interest rate not to exceed 12% per annum. At December 31, 2016, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

	Amount Authorized on November 1, 2005	Authorization Used 2007 Bonds	Authorization Used 2008 Bonds	Authorization Used 2014 Loan	Authorization Used 2016 Bonds	Authorized but Unissued at December 31, 2016
Streets	\$ 85,000,000	\$ 29,029,000	\$ 3,016,000	\$ -	\$ -	\$ 52,955,000
Traffic and safety controls	75,000,000	11,165,000	1,160,000	-	-	62,675,000
Water supply system	85,000,000	5,236,000	544,000	-	-	79,220,000
Storm and sanitary system	85,000,000	3,311,000	344,000	-	-	81,345,000
Parks and recreation facilities	85,000,000	-	-	-	-	85,000,000
Transportation	85,000,000	28,259,000	2,936,000	-	-	53,805,000
Mosquito control	500,000	-	-	-	-	500,000
Television relay	85,000,000	-	-	-	-	85,000,000
Security services	85,000,000	-	-	-	-	85,000,000
Operations	5,000,000	-	-	-	-	5,000,000
Construction management	85,000,000	-	-	2,720,000	68,170,000	14,110,000
	<u>\$ 760,500,000</u>	<u>\$ 77,000,000</u>	<u>\$ 8,000,000</u>	<u>\$ 2,720,000</u>	<u>\$ 68,170,000</u>	<u>\$ 604,610,000</u>

Per the Service Plan, the District is permitted to issue bond indebtedness of up to \$85,000,000. As of December 31, 2016, no additional indebtedness is available to be issued under the current Service Plan.

Developer Advances

The District has entered into Reimbursement and Acquisition Agreements with the Developer as follows:

Capital Funding and Reimbursement Agreement

On May 22, 2009, the District entered into a Reimbursement Agreement to repay advances made by AW Southglenn, LLC (the Developer) for costs related to the provision of public infrastructure in the nature of capital costs. The District agreed to repay the Developer for such advances plus accrued interest at a rate of 7% simple interest per annum for all advances. Furthermore, the District agreed to repay the Developer principal first, and then interest. This agreement superseded the prior Reimbursement and Acquisition Agreement entered into on April 13, 2006. As of December 31, 2016, outstanding advances under the agreement totaled \$2,552,561 and accrued interest totaled \$3,172,257.

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

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

Operations and Maintenance Agreement

On October 25, 2011, the District entered into an Operations and Maintenance Agreement with Southglenn Property Holdings, LLC (the Manager) to provide services related to maintenance, repair, restoration (and replacement of), and insurance and indemnities in connection with the Commons Area in the shopping center commonly known as "The Streets at Southglenn." The Manager agreed to loan the District one or more sums of money, not to exceed the aggregate of \$500,000 per annum for 10 years, up to \$5,000,000. The District agreed to reimburse the Manager for all expenses incurred in connection with the provision of services, provided that anticipated costs are approved by the District in the annual budget. Because the Manager incurred costs related to the "Prior Maintenance" (services provided prior to the finalization of this Agreement) on behalf of the District in anticipation that the costs would be reimbursed to the Manager, the District agreed to reimburse the Manager for Prior Maintenance Costs in accordance with, and subject to, the terms and conditions of this agreement. Any unpaid maintenance advances shall continue to accrue, at 6% simple interest, and may be paid to the Manager in future years as funds become available. Furthermore, the District agreed to repay the Manager the principal first, then interest. As of December 31, 2016, outstanding advances under the agreement totaled \$1,934,376 and accrued interest totaled \$421,897.

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 amortization 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:

	Governmental Activities
Net investment in capital assets:	
Capital assets, net	\$ 44,659,882
Current portion of outstanding long-term obligations	(2,362,252)
Noncurrent portion of outstanding long-term obligations	(76,028,728)
Developer advance payable	(2,552,561)
Net investment in capital assets	\$ (36,283,659)

The District has estimated in the above calculation that 100% of the debt proceeds available for capital expenditures have been spent on the easement and parking garage owned by the District.

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

NOTE 6 - NET POSITION (CONTINUED)

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:

	Governmental Activities
Restricted net position:	
Emergency reserves	\$ 17,300
Debt service	25,919
Total restricted net position	\$ 43,219

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

NOTE 7 - RELATED PARTY

The Developer of the property which constitutes the District is AW Southglenn, LLC. The primary owner of property in the District is Southglenn Property Holdings, LLC. Both are affiliates of Alberta Development Partners, LLC. 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 in dealing with the District.

NOTE 8 - AGREEMENTS

Amended and Restated Public Finance Agreement

On June 5, 2006, the District entered into a sales tax sharing agreement with the City of Centennial and the CURA. The City has pledged 76% of the City's Sales Tax revenues collected within the District in excess of the Sales Tax Base for financing the Public Improvements and paying the District's operating and maintenance costs. The Sales Tax Base was certified by the City to be \$1,937,569 and the District shall receive 76% of all sales tax collected in the District above the sales tax base for the collection period from October 1 to September 30. Under this agreement the District will also receive all of the property taxes due to the Urban Renewal Authority for the project area. This agreement will remain in effect for 25 years (June 5, 2031) or until the District has paid off its outstanding bonds, whichever occurs first.

Second Amended and Restated Public Finance Agreement

On February 3, 2014, the District entered into a Second Amended and Restated Public Finance Agreement with CURA and the City of Centennial (the "City"). The City adopted the Southglenn Mall Redevelopment Plan for the principal purpose of facilitating redevelopment in order to

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

NOTE 8 – AGREEMENTS (CONTINUED)

eliminate or prevent the spread of physically blighted or slum areas in the Plan Area. The City, CURA and District will assist the Developer with the redevelopment of the Plan Area and provide for the public financing of a portion of the improvements and redevelopment activities to be undertaken by the District, CURA and the Developer pursuant to the Southglenn Mall Redevelopment Plan. By this agreement, the City, CURA and District agree to the terms of refinancing the bonds previously issued by the District in connection with such improvements and redevelopment activities that have been undertaken by the Developer and District.

Stormwater Facility Maintenance Agreement

On July 12, 2011, the District entered into a Stormwater Facility Maintenance Agreement with Southeast Metro Stormwater Authority (SEMSWA). Under the terms of the agreement, the District will maintain and operate stormwater facilities, including drainage facilities, intended to reduce, detain, convey, and manage stormwater runoff and facilities intended to provide water quality benefits within the confines of the District as well as the Macy's and Wells Fargo properties. The District is to ensure that the facilities are and remain in proper working condition in accordance with the City of Centennial Stormwater Management Manual, applicable SEMSWA standards imposed and applied uniformly throughout SEMSWA's boundaries and other applicable legal requirements. The District will also coordinate and pay for inspections of the facilities at least once every calendar year, as well as submit inspection reports (in accordance with the Operations and Maintenance Manual) in writing to SEMSWA prior to January 15 of each year.

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 the past fiscal year.

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

NOTE 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.

SOUTHGLENN METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

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

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

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

On November 1, 2005, District voters passed an election question to increase property taxes \$1,000,000 annually to pay the District's operational and maintenance costs, without regard to any limitations under TABOR.

On November 8, 2016 the District voters passed an election question to increase property taxes \$2,500,000 annually to pay the District's administration, covenant enforcement, design review, operations, maintenance, and other similar expenses, without regard to any limitations under TABOR.

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.

NOTE 11 - 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.

NOTE 12 – INTERFUND TRANSFERS

During the year ended December 31, 2016 the General Fund transferred to the Debt Service Fund to establish reserves.

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

SUPPLEMENTARY INFORMATION

**SOUTHGLENN METROPOLITAN DISTRICT
DEBT SERVICE 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		
REVENUES				
Property taxes	\$ 751,265	\$ 723,111	\$ 723,111	\$ -
CURA property taxes - net of refunds/abate-ments	4,403,767	4,709,485	4,709,485	-
Specific ownership taxes	-	52,375	52,375	-
CURA sales/use taxes	1,008,780	908,202	908,202	-
Net investment income	100	22,450	22,690	240
Total revenues	<u>6,163,912</u>	<u>6,415,623</u>	<u>6,415,863</u>	<u>240</u>
EXPENDITURES				
Debt service				
Miscellaneous	485	-	-	-
Paying agent fees	16,500	16,500	16,500	-
Bond principal - Series 2008	-	8,000,000	8,000,000	-
Note principal - Series 2014	2,960,000	68,160,000	68,160,000	-
Note principal - Series 2014 - additional	31,365	-	-	-
Bond interest - Series 2008	650,000	740,139	740,139	-
Bond interest - Series 2016	-	630,387	630,387	-
Note interest - Series 2014	2,344,293	1,895,931	1,895,931	-
County Treasurer's fees	11,269	10,816	10,816	-
CURA fees	150,000	50,000	23,274	26,726
Bond issuance costs	-	1,874,308	1,874,308	-
Interest expense - refunds and abate-ments	-	2,369	2,368	1
Total expenditures	<u>6,163,912</u>	<u>81,380,450</u>	<u>81,353,723</u>	<u>26,727</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>(74,964,827)</u>	<u>(74,937,860)</u>	<u>26,967</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other fund	-	71,375	44,649	(26,726)
Bond issuance		76,170,000	76,170,000	-
Bond premium		2,248,245	2,248,245	-
Repay developer advance		(3,150,000)	(3,150,000)	-
Total other financing sources	<u>-</u>	<u>75,339,620</u>	<u>75,312,894</u>	<u>(26,726)</u>
NET CHANGE IN FUND BALANCES	<u>-</u>	<u>374,793</u>	<u>375,034</u>	<u>241</u>
FUND BALANCES - BEGINNING OF YEAR	<u>2,919,816</u>	<u>3,332,966</u>	<u>3,332,966</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ 2,919,816</u>	<u>\$ 3,707,759</u>	<u>\$ 3,708,000</u>	<u>\$ 241</u>

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

\$76,170,000

Special Revenue Refunding Bonds, Series 2016

Dated September 22, 2016

Interest Rate 3.00 - 5.00%

Interest Due June 1 and December 1

Principal Payable December 1

Principal and Interest Maturing in the Year Ending December 31,	Principal Payable December 1		
Principal and Interest Maturing in the Year Ending December 31,	Principal	Interest	Total
2017	\$ 2,220,000	\$ 3,288,975	\$ 5,508,975
2018	2,420,000	3,222,375	5,642,375
2019	2,540,000	3,149,775	5,689,775
2020	2,750,000	3,073,575	5,823,575
2021	2,880,000	2,991,075	5,871,075
2022	3,105,000	2,904,675	6,009,675
2023	3,265,000	2,796,000	6,061,000
2024	3,520,000	2,681,725	6,201,725
2025	3,695,000	2,558,525	6,253,525
2026	3,970,000	2,429,200	6,399,200
2027	4,160,000	2,290,250	6,450,250
2028	4,525,000	2,082,250	6,607,250
2029	4,800,000	1,856,000	6,656,000
2030	5,200,000	1,616,000	6,816,000
2031	845,000	1,356,000	2,201,000
2032	930,000	1,313,750	2,243,750
2033	975,000	1,267,250	2,242,250
2034	1,070,000	1,218,500	2,288,500
2035	1,125,000	1,165,000	2,290,000
2036	1,225,000	1,108,750	2,333,750
2037	1,285,000	1,047,500	2,332,500
2038	1,395,000	983,250	2,378,250
2039	1,465,000	913,500	2,378,500
2040	1,585,000	840,250	2,425,250
2041	1,665,000	761,000	2,426,000
2042	1,800,000	677,750	2,477,750
2043	1,890,000	587,750	2,477,750
2044	2,030,000	493,250	2,523,250
2045	2,135,000	391,750	2,526,750
2046	5,700,000	285,000	5,985,000
	\$ 76,170,000	\$ 51,350,650	\$ 127,520,650

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

Taxes Levied by Metro District

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Prior Year Assessed Valuation for Current Year Property Tax Levy Debt Service Only	District Mills Levied		District Property Taxes		Percentage Collected to Levied
			Operations	Debt Service	Levied	Collected	
2012	\$ 13,607,245	\$ 665,683	10.000	50.000	\$ 849,718	\$ 778,999	91.68%
2013	\$ 13,351,396	\$ 659,414	10.000	50.000	\$ 834,055	\$ 786,272	94.27%
2014	\$ 13,008,344	\$ 683,018	10.000	50.000	\$ 814,650	\$ 620,243	76.14%
2015	\$ 13,749,170	\$ 29,456	10.000	50.000	\$ 826,423	\$ 708,452	85.73%
2016	\$ 15,025,306	\$ -	10.000	50.000	\$ 901,518	\$ 867,807	96.26%
Estimated for the year ending December 31, 2017	\$ 14,974,826	\$ -	31.031	28.969	\$ 898,490		

Taxes collected by CURA and remitted to Metro District per Cooperation Agreement

Year Ended December 31,	Prior Year Increment Assessed Valuation for Current Year Property Tax Levy	Prior Year Assessed Valuation for Current Year Property Tax Levy Debt Service Only	Prior Year Non-District Increment Assessed Valuation for Current Year Property Tax Levy	District Operations	Mills Levied District Debt Service	Overlapping Entities	CURA	CURA	Total ¹ Anticipated	Total ¹ Collections	Percentage Collected to Anticipated
							Cooperation Agreement Based on Increment Value Anticipated	Cooperation Agreement Based on Non-District Increment Anticipated			
2012	\$ 28,472,045	\$ 1,392,887	\$ 7,028,227	10.000	50.000	100.282	\$ 4,772,882	\$ 704,805	\$ 5,477,687	\$ 5,237,654	95.62%
2013	\$ 27,899,854	\$ 1,380,226	\$ 7,564,419	10.000	50.000	99.412	\$ 4,653,794	\$ 751,994	\$ 5,405,788	\$ 5,071,278	93.81%
2014	\$ 27,065,785	\$ 1,421,121	\$ 9,613,318	10.000	50.000	99.314	\$ 4,526,943	\$ 955,679	\$ 5,482,622	\$ 5,297,039	96.62%
2015	\$ 26,002,673	\$ 55,502	\$ 6,201,443	10.000	50.000	99.314	\$ 4,150,877	\$ 615,890	\$ 4,766,767	\$ 4,517,728	94.78%
2016	\$ 28,935,431	\$ -	\$ 7,794,254	10.000	50.000	99.314	\$ 4,609,819	\$ 774,079	\$ 5,383,898	\$ 4,986,748	92.62%
Estimated for the year ending December 31, 2017	\$ 27,993,416	\$ -	\$ 6,803,514	31.031	28.969	96.166	\$ 4,371,620	\$ 654,267	\$ 5,025,887		

1 - The total anticipated collections from CURA does not include the 1.5% Treasurer's fee. The actual total collections is net of that fee.