

LINCOLN PARK METROPOLITAN DISTRICT

Financial Statements

Year Ended December 31, 2016

with

Independent Auditors' Report



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Independent Auditor's Report

Board of Directors
Lincoln Park Metropolitan District
Douglas County, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Lincoln Park 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 an opinion 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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 Lincoln Park 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 conformity with accounting principles generally accepted in the United States of America.

Other Matters

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 opinions on the basic financial statements are not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. 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 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

L. Paul Goedecke P.C.

L. Paul Goedecke, P.C.
August 20, 2017

LINCOLN PARK METROPOLITAN DISTRICT

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

	<u>General</u>	<u>Debt Service</u>	<u>Capital Project</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS						
Cash and investments	\$ 280,526	\$ -	\$ -	\$ 280,526	\$ -	\$ 280,526
Cash and investments - restricted	6,982	1,128,385	344,533	1,479,900	-	1,479,900
Receivable - County Treasurer	1,714	11,339	-	13,053	-	13,053
Property taxes receivable	219,033	1,451,409	-	1,670,442	-	1,670,442
A/R Stonegate	103,769	-	-	103,769	-	103,769
Prepaid insurance	15,152	-	-	15,152	-	15,152
Capital assets, net of depreciation	-	-	-	-	6,283,873	6,283,873
Total Assets	<u>627,176</u>	<u>2,591,133</u>	<u>344,533</u>	<u>3,562,842</u>	<u>6,283,873</u>	<u>9,846,715</u>
DEFERRED OUTFLOWS OF RESOURCES						
Deferred loss on refunding	-	-	-	-	4,283,080	4,283,080
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,283,080</u>	<u>4,283,080</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 627,176</u>	<u>\$ 2,591,133</u>	<u>\$ 344,533</u>	<u>\$ 3,562,842</u>		
LIABILITIES						
Accounts payable	\$ 385,640	\$ -	\$ -	\$ 385,640	(292,182)	93,458
Accrued interest on loans	-	-	-	-	95,463	95,463
Long-term liabilities						
Due within one year	-	-	-	-	405,000	405,000
Due in more than one year	-	-	-	-	46,314,858	46,314,858
Total Liabilities	<u>385,640</u>	<u>-</u>	<u>-</u>	<u>385,640</u>	<u>46,523,139</u>	<u>46,908,779</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred property taxes	219,033	1,451,409	-	1,670,442	-	1,670,442
Total Deferred Inflows of Resources	<u>219,033</u>	<u>1,451,409</u>	<u>-</u>	<u>1,670,442</u>	<u>-</u>	<u>1,670,442</u>
FUND BALANCE						
Fund Balances:						
Nonspendable:						
Prepays	15,152	-	-	15,152	(15,152)	-
Restricted:						
Emergencies	7,014	-	-	7,014	(7,014)	-
Debt service	-	1,139,724	-	1,139,724	(1,139,724)	-
Capital projects	-	-	344,533	344,533	(344,533)	-
Assigned:						
Subsequent years' expenditures	69,748	-	-	69,748	(69,748)	-
Unassigned	(69,411)	-	-	(69,411)	69,411	-
Total Fund Balances	<u>22,503</u>	<u>1,139,724</u>	<u>344,533</u>	<u>1,506,760</u>	<u>(1,506,760)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 627,176</u>	<u>\$ 2,591,133</u>	<u>\$ 344,533</u>	<u>\$ 3,562,842</u>		
NET POSITION						
Restricted for:						
Emergencies					7,014	7,014
Debt service					1,044,261	1,044,261
Unrestricted:						
					(35,500,701)	(35,500,701)
Total Net Position (Deficit)					<u>\$ (34,449,426)</u>	<u>\$ (34,449,426)</u>

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

LINCOLN PARK METROPOLITAN DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2016

	<u>General</u>	<u>Debt Service</u>	<u>Capital Project</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
EXPENDITURES						
Accounting and audit	\$ 12,508	\$ -	\$ -	\$ 12,508	\$ -	\$ 12,508
Depreciation	-	-	-	-	264,293	264,293
District management	73,609	-	-	73,609	-	73,609
Director's fees and payroll taxes	743	-	-	743	-	743
Engineering	16,420	-	-	16,420	-	16,420
Election expense	1,136	-	-	1,136	-	1,136
Insurance	13,095	-	-	13,095	-	13,095
Legal	34,910	-	-	34,910	-	34,910
Miscellaneous expenses	4,090	-	-	4,090	-	4,090
Office expense	2,219	-	-	2,219	-	2,219
Landscape, lighting and irrigation maintenance	277,700	-	-	277,700	-	277,700
Snow removal	34,539	-	-	34,539	-	34,539
Tree replacement	6,050	-	-	6,050	-	6,050
Treasurers fees	3,268	21,625	-	24,893	-	24,893
Pool management, maintenance and utilities	149,382	-	-	149,382	-	149,382
Utilities	94,974	-	-	94,974	-	94,974
Participation SV pool & rec center	85,598	-	-	85,598	-	85,598
Street repairs and improvements	-	-	115,405	115,405	(71,764)	43,641
Loan principal	-	385,000	-	385,000	(385,000)	-
Loan interest expense	-	1,163,342	-	1,163,342	1,426,211	2,589,553
System development fees	-	-	317,182	317,182	(317,182)	-
Interest expense - reimbursement agreement	-	-	-	-	544,087	544,087
Total Expenditures	<u>810,241</u>	<u>1,569,967</u>	<u>432,587</u>	<u>2,812,795</u>	<u>1,460,645</u>	<u>4,273,440</u>
PROGRAM REVENUES						
System development fees	-	-	317,182	317,182	-	317,182
Total Program Revenues	<u>-</u>	<u>-</u>	<u>317,182</u>	<u>317,182</u>	<u>-</u>	<u>317,182</u>
Net Program Income (Expense)	(810,241)	(1,569,967)	(115,405)	(2,495,613)	(1,460,645)	(3,956,258)
GENERAL REVENUES						
Property taxes	217,783	1,440,721	-	1,658,504	-	1,658,504
Specific ownership taxes	20,266	134,071	-	154,337	-	154,337
Park, rec and road maintenance fees	527,841	-	86,888	614,729	-	614,729
Stonegate Village Pool/Rec Center Fee	85,598	-	-	85,598	-	85,598
Conservation trust	16,947	-	-	16,947	-	16,947
Interest and other Income	7,278	1,275	-	8,553	-	8,553
Total General Revenues	<u>875,713</u>	<u>1,576,067</u>	<u>86,888</u>	<u>2,538,668</u>	<u>-</u>	<u>2,538,668</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES						
	65,472	6,100	(28,517)	43,055	(43,055)	-
OTHER FINANCING SOURCES (USES)						
Transfer from (to) other funds	(140,000)	-	140,000	-	-	-
Total Other Financing Sources (Uses)	<u>(140,000)</u>	<u>-</u>	<u>140,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN FUND BALANCE	(74,528)	6,100	111,483	43,055	(43,055)	-
CHANGE IN NET POSITION					(1,417,590)	(1,417,590)
FUND BALANCES/NET POSITION:						
BEGINNING OF YEAR	97,031	1,133,624	233,050	1,463,705	(34,495,541)	(33,031,836)
END OF YEAR	<u>\$ 22,503</u>	<u>\$ 1,139,724</u>	<u>\$ 344,533</u>	<u>\$ 1,506,760</u>	<u>\$ (35,956,186)</u>	<u>\$ (34,449,426)</u>

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

LINCOLN PARK METROPOLITAN DISTRICT

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

For the Year Ended December 31, 2016

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES				
Property taxes	\$ 217,511	\$ 217,511	\$ 217,783	\$ 272
Specific ownership taxes	15,226	18,000	20,266	2,266
Park, rec and road maintenance fees	481,482	530,000	527,841	(2,159)
Stonegate Village Pool/Rec Center Fee	79,200	79,200	85,598	6,398
General Operations Fee	66,600	3,000	-	(3,000)
Reimbursed expenses	1,500	-	-	-
Conservation trust	15,000	17,000	16,947	(53)
Interest and other Income	<u>3,500</u>	<u>7,500</u>	<u>7,278</u>	<u>(222)</u>
 Total Revenues	 <u>880,019</u>	 <u>872,211</u>	 <u>875,713</u>	 <u>3,502</u>
 EXPENDITURES				
Accounting and audit	16,200	12,500	12,508	(8)
District management	50,000	75,000	73,609	1,391
Director's fees and payroll taxes	1,200	1,200	743	457
Engineering	25,000	20,000	16,420	3,580
Election expense	-	1,200	1,136	64
Insurance	16,000	13,095	13,095	-
Legal	30,000	35,000	34,910	90
Miscellaneous expenses	2,500	3,500	4,090	(590)
Office expense	2,500	2,500	2,219	281
Landscape, lighting and irrigation maintenance	311,100	285,000	277,700	7,300
Snow removal	20,000	35,000	34,539	461
Tree replacement	10,000	10,000	6,050	3,950
Treasurers fees	3,263	3,263	3,268	(5)
Pool management, maintenance and utilities	139,000	129,000	149,382	(20,382)
Utilities	40,000	95,000	94,974	26
Participation SV pool & rec center	80,000	90,000	85,598	4,402
Contingency	49,167	3,742	-	3,742
Emergency Reserve	<u>6,982</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total Expenditures	 <u>802,912</u>	 <u>815,000</u>	 <u>810,241</u>	 <u>4,759</u>
 EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	 77,107	 57,211	 65,472	 8,261
 OTHER FINANCING SOURCES (USES)				
Transfer to Capital Projects Fund	<u>(140,000)</u>	<u>(140,000)</u>	<u>(140,000)</u>	<u>-</u>
 Total Other Financing Sources (Uses)	 <u>(140,000)</u>	 <u>(140,000)</u>	 <u>(140,000)</u>	 <u>-</u>
 CHANGE IN FUND BALANCE	 (62,893)	 (82,789)	 (74,528)	 8,261
 FUND BALANCE				
BEGINNING OF YEAR	<u>62,893</u>	<u>97,031</u>	<u>97,031</u>	<u>-</u>
END OF YEAR	<u>\$ -</u>	<u>\$ 14,242</u>	<u>\$ 22,503</u>	<u>\$ 8,261</u>

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

LINCOLN PARK METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2016

Note 1: Summary of Significant Accounting Policies

The accounting policies of the Lincoln Park Metropolitan District, located in Douglas County, Colorado, conform to the accounting principles generally accepted in the United States of America (“GAAP”) as applicable to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies consistently applied in the preparation of financial statements.

Definition of Reporting Entity

The District was organized on July 20, 1983, as a quasi-municipal organization established under the State of Colorado Special District Act. The District was established to provide water and wastewater service, street construction, installation of safety control devices, construction and maintenance of parks and recreation facilities and public transportation. The District's primary revenues are property taxes and park and recreational facility fees. The District is governed by an elected Board of Directors.

As required by GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District follows the GASB pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB sets forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency. The pronouncements also require including a possible component unit if it would be misleading to exclude it.

The District is not financially accountable for any other organization. The District has no component units as defined by the GASB.

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

Basis of Presentation

The accompanying financial statements are presented per GASB Statement No. 34 - Special Purpose Governments.

LINCOLN PARK METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2016

The government-wide financial statements (i.e. the governmental funds balance sheet/the statement of net position and the statement of governmental fund revenues, expenditures, and changes in fund balances/statement of activities) report information on all of the governmental activities of the District. The statement of net position reports all financial and capital resources of the District. The difference between the (a) assets and deferred outflows of resources and the (b) liabilities and deferred inflows of resources of the District is reported as net position. The statement of activities demonstrates the degree to which expenditures/expenses of the governmental funds are supported by general revenues. For the most part, the effect of interfund activity has been removed from these statements.

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are collected.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The material sources of revenue subject to accrual are property taxes and interest. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is paid.

The District reports the following major governmental funds:

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

LINCOLN PARK METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2016

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Capital Projects Fund – The Capital Projects Fund is used to account for all financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other assets.

Budgetary Accounting

Budgets are adopted on a non-GAAP basis for the governmental funds. In accordance with the State Budget Law of Colorado, the District's Board of Directors holds public hearings in the fall of each year to approve the budget and appropriate the funds for the ensuing year. 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 appropriation is at the total fund expenditures level and lapses at year end.

In November 2016, the District amended its appropriations in the General Fund from \$942,912 to \$955,000 as the result of higher district management costs and in the Capital Projects Fund from \$90,000 to \$440,000 as a result of system development fees used to fund repayments under the reimbursement agreement (See note 5).

Assets, Liabilities and Net Position

Fair Value of Financial Instruments

The District's financial instruments include cash and cash equivalents, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2016, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand and short-term investments with maturities of three months or less from the date of acquisition. Investments for the government are reported at fair value.

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 minimum number of bank accounts. 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.

LINCOLN PARK METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2016

Estimates

The preparation of these financial statements in conformity with GAAP requires the District management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District only has one item that qualifies for reporting in this category. It is the deferred loss on refunding reported in the government-wide statement of net position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Deferred property taxes are deferred and recognized as an inflow of resources in the period that the amounts become available.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

Loss on Refunding

The deferred loss on refunding costs from the Series 2014A and Series 2014B Loan is being amortized using the straight-line method over the life of the new loans. Accumulated amortization as of December 31, 2016 is \$3,212,310.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable 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 and an estimated useful life in excess of two years. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

LINCOLN PARK METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2016

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable using the straight-line method. Depreciation on property that will remain assets of the District is reported on the Statement of Activities as a current charge. Improvements that will be conveyed to other governmental entities are not depreciated. Land and certain landscaping improvements are not depreciated.

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

Park and recreation	25-30 years
Roads and drainage	40 years

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 taxpayers' election, in February and June. Delinquent taxpayers are notified in July or August and the sales of the resultant tax liens on delinquent properties are generally 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 inflows in the year they are levied and measurable since they are not normally available nor are they budgeted as a resource until the subsequent year. The deferred property taxes are recorded as revenue in the subsequent year when they are available or collected.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

Fund Equity

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications make the nature and extent of the constraints placed on a government's fund balance more transparent:

LINCOLN PARK METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2016

Nonspendable Fund Balance

Nonspendable fund balance includes amounts that cannot be spent because they are either not spendable in form (such as inventory or prepaids) or are legally or contractually required to be maintained intact.

The nonspendable fund balance in the General Fund in the amount of \$15,152 represents prepaid insurance.

Restricted Fund Balance

The restricted fund balance includes amounts restricted for a specific purpose by external parties such as grantors, bondholders, constitutional provisions or enabling legislation.

The restricted fund balance in the General Fund represents Emergency Reserves that have been provided as required by Article X, Section 20 of the Constitution of the State of Colorado. A total of \$7,014 of the General Fund balance has been restricted in compliance with this requirement.

The restricted fund balance in the Debt Service Fund in the amount of \$1,139,724 is restricted for the payment of the debt service costs associated with the 2014 A Tax-exempt Loan and 2014 B Taxable Loan. (Note 4)

The restricted fund balance in the Capital Projects Fund in the amount of \$344,533 is restricted for the payment of the costs for capital improvements within the District.

Committed Fund Balance

The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by a 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

Assigned fund balance includes amounts the District intends to use for a specific purpose. Intent can be expressed by the District's Board of Directors or by an official or body to which the Board of Directors delegates the authority. The assigned fund balance in the General Fund represents the amount appropriated for use in the budget for the year ending December 31, 2017.

Unassigned Fund Balance

Unassigned fund balance includes amounts that are available for any purpose. Positive amounts are reported only in the General Fund, all funds can report negative amounts.

For the classification of Governmental Fund balances, the District considers an expenditure to be made from the most restrictive first when more than one classification is available.

LINCOLN PARK METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2016

Net Position

Net Position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The District can report up to three categories of net position, as follows:

Net investment in capital assets – consists of net capital assets, reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows or resources related to those assets. At December 31, 2016 the District did not have any amounts to report in this category.

Restricted net position – net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

Unrestricted net position – consists of all other net position that does not meet the definition of the above two components and is available for general use by the District.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District will use the most restrictive net position first.

Note 2: Cash and Investments

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

Statement of Net Position:	
Cash and investments	\$ 280,526
Cash and investments – restricted	<u>1,479,900</u>
	<u>\$1,760,426</u>

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

Deposits with financial institutions	\$ 1,738,454
Investments – COLOTRUST	<u>21,972</u>
	<u>\$ 1,760,426</u>

LINCOLN PARK METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2016

Deposits

Custodial Credit Risk

The Colorado Public Deposit Protection Act, (“PDPA”) requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the aggregated 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.

The District does not have a formal policy for deposits. None of the District’s deposits were exposed to custodial credit risk.

Investments

Investment Valuation

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

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

An external investment pool that records its investments at fair value. The investment in COLOTRUST is categorized as a Level 2 Investment.

Credit Risk

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments. Colorado statutes specify the types of investments meeting defined rating and risk criteria in which local governments may invest. These investments include obligations of the United States and certain U.S. Government agency entities, certain money market funds, guaranteed investment contracts, and local government investment pools.

Custodial and Concentration of Credit Risk

None of the District’s investments are subject to custodial or concentration of credit risk.

LINCOLN PARK METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2016

Interest Rate Risk

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

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

COLOTRUST

The local government investment pool, Colorado Local Government Liquid Asset Trust (“COLOTRUST”) is rated AAAM by Standard & Poor’s with a weighted average maturity of under 60 days, a Level 2 investment under the fair value hierarchy. COLOTRUST is an investment trust/joint ventures 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 trusts operate similarly to a money market fund with each share maintaining a value of \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both investments consist of U.S. Treasury bills and notes 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 repurchase agreements collateralized by certain obligations of U.S. government agencies. Designated custodian banks provide safekeeping and depository services to the trusts. Substantially all securities owned by the trusts are held by the Federal Reserve Bank in the accounts maintained for the custodian banks. The custodians’ internal records identify the investments owned by COLOTRUST. At December 31, 2016, the District had \$21,972 invested in COLOTRUST.

Note 3: Capital Assets

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

	Balance 1/1/2016	Additions	Deletions	Balance 12/31/2016
<u>Governmental Type Activities:</u>				
<u>Capital assets being depreciated:</u>				
Roads	\$ 1,633,632	\$ -	\$ -	\$ 1,633,632
Drainage	1,000,000	-	-	1,000,000
Park and recreation	7,211,762	71,764	-	7,283,526
	9,845,394	71,764	-	9,917,158
Accumulated Depreciation	(3,368,992)	(264,293)	-	(3,633,285)
Government type assets, net	<u>\$ 6,476,402</u>	<u>\$ (192,529)</u>	<u>\$ -</u>	<u>\$ 6,283,873</u>

LINCOLN PARK METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2016

Note 4: Long Term Debt

A description of the long-term obligations as of December 31, 2016, is as follows:

\$13,775,000 Series 2014A Tax Exempt Loan \$17,710,000 series 2014B Taxable Loan

On October 3, 2014 the District borrowed \$31,485,000 of for the purpose of advance refunding the General Obligation Refunding and Improvement Bonds Series 2008 in the total amount of \$28,085,000. The Loan is divided into two amounts. \$13,775,000 Series 2014A is tax exempt with an interest rate of 2.82% and \$17,710,000 Series 2014B is taxable convertible to tax exempt with an interest rate of 4.33%. Interest is payable semiannually on each June 1 and December 1, commencing on December 1, 2014. The Loans mature on December 21, 2019, with periodic principal payments on each December 1 as indicated in the accompanying schedule. The Loans are secured by an unlimited mill levy and a reserve fund of \$1,050,000. The Series 2014B Loan can convert to a tax exempt rate on December 1, 2017.

The Loans were issued to provide resources to be placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the Series 2008 Bonds through the call date of December 1, 2017. As a result, the refunded bonds are considered to be defeased and the liabilities have been removed from the governmental activities column of the statement of net position. The net carrying amount of the old debt exceeded the reacquisition price by \$7,495,389.

This amount is recorded as a deferred outflow and is being amortized over the remaining life of the new debt issued. The refunding resulted in an economic gain of \$5,990,610 due to the maturity of the loans being shorter than the refunded bonds.

Reimbursement Agreement

In conjunction with the issuance of the Series 2008 Bonds, the District entered into a Reimbursement Agreement with NNP II – Stonegate LLC (“Developer”). The Reimbursement Agreement supersedes the previous Financing and Reimbursement Agreement entered into in 2001. Per the terms of the new agreement, the District and the Developer agreed to terminate the Series 2004A and Series 2004B Bonds and provide for payment of amounts originally due under the prior reimbursement agreement and the 2004 Bonds.

As part of the agreement, the Developer agreed to terminate the obligation of the District to repay developer advances made to cover operating expenses of \$304,381, along with the related accrued interest. The District paid \$9,694,385 to the Developer from proceeds of the Series 2008 bond issuance per the terms of the Agreement. After the payment of the initial amount by the District from the 2008 Bond proceeds, the District owed the Developer \$12,933,801, of which \$1,000,000 was subsequently forgiven by the Developer during 2008. Amounts considered advanced under the agreement accrue interest at 3.50% per annum. As of December 31, 2016, the District is obligated to pay the Developer \$11,933,801 plus \$3,986,057 of accrued interest under the agreement. Any obligation unpaid on December 15, 2037 is deemed to be satisfied.

LINCOLN PARK METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2016

The following is an analysis of changes in long-term debt for the period ending December 31, 2016:

	Balance 1/1/2016	Additions	Deletions	Balance 12/31/2016	Current Portion
2014 A Tax-exempt Loan	\$ 13,645,000	\$ -	\$ 150,000	\$ 13,495,000	\$ 160,000
2014 B Taxable Loan	17,540,000	-	235,000	17,305,000	245,000
Reimbursement Agreement	15,400,771	544,087	25,000	15,919,858	-
	<u>\$ 46,585,771</u>	<u>\$ 544,087</u>	<u>\$ 410,000</u>	<u>\$ 46,719,858</u>	<u>\$ 405,000</u>

The following is a summary of the annual long-term debt principal and interest requirements on the Series 2014A and 2014B Loans.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 405,000	\$ 1,145,558	\$ 1,550,558
2018	715,000	869,044	1,584,044
2019	29,680,000	848,601	30,528,601
	<u>\$30,800,000</u>	<u>\$ 2,863,203</u>	<u>\$ 33,663,203</u>

Debt Authorization

As of December 31, 2016, the District had remaining voted debt authorization of approximately \$458,695,000. The District has not budgeted to issue any additional debt in 2017.

Note 5: Intergovernmental/Developer Agreements

See Note 4 for a discussion of the Reimbursement Agreement with the Developer.

On November 22, 1996 the District entered into the Second Amended and Restated Regional Facilities Construction Agreement with Stonegate Village Metropolitan District (“Stonegate Village”) (the “IGA”). Pursuant to the IGA, the District transferred all right, title and interest to the sanitary sewer system, including \$265,510 of operations and maintenance reserves, and all right, title, and interest to its water supply system, including \$64,754 in operations and maintenance reserves and water rights, to Stonegate Village. In exchange, Stonegate Village agreed to finance, construct, and operate (1) a sewer system within Stonegate Village which would be adequate to service an ultimate build-out of at least 2,531 SFE’s and which sewer system would provide service to the District pursuant to the terms of the IGA and (2) a water and irrigation system in Stonegate Village which would be adequate to provide potable water service for an ultimate build-out of at least 2,531 SFE’s and which water and irrigation system would provide service to the District pursuant to the terms of the IGA.

LINCOLN PARK METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2016

The IGA provides that the first 550,000 gallons per day of sewage treatment capacity is dedicated to sewer taps for residents of Stonegate Village (the “Reserved Sewer Capacity”) and the capacity in excess of the 550,000 gallons per day was irrevocably dedicated to the District, subject to the terms of the IGA. The IGA provides that the first 2,531 three-quarter inch water tap equivalents and the water to serve Stonegate Community Park, Challenger Park, and the E-470 right-of-way are dedicated to supply water taps in Stonegate Village (the “Reserved Water Capacity”) and any water taps in excess thereof are dedicated to the District.

The IGA provides that the District may request Stonegate Village to impose, for the benefit of the District, system development and connection charges. During 2016, system development charges in the amount of \$317,182 were collected. Under the terms of the Reimbursement Agreement discussed in Note 4, the District remits any system development charges to the Developer. \$25,000 was remitted in 2016.

The District also entered into a Memorandum of Understanding Concerning Development and Construction, dated 1998, as amended by the First Amendment to Memorandum of Understanding Concerning Development and Construction, dated March 21, 2001, with Stonegate Village (collectively the “MOU”). The MOU modifies the IGA and provides that, as a result of changes in development densities and efficiencies in the water and sewer systems, so long as Stonegate Village is able to meet its need for sewer or water service as provided in the MOU, respectively, the District may utilize the Reserved Sewer Capacity or the Reserved Water Capacity, respectively, on a temporary basis, subject to the conditions of the MOU. The MOU also provides that once the Reserved Sewer Capacity has been utilized, the then applicable system development fees imposed by Stonegate Village will continue to apply and, to the extent system development fees are collected for development within Stonegate Village they shall be paid over to the District. As of December 31, 2016, \$76,339 was owed to the District and remitted in 2017.

Note 6: Tax, Spending and Debt Limitations

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

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

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

LINCOLN PARK METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2016

On November 2, 1993, May 5, 1998, November 3, 1998 and November 7, 2000, a majority of the District's electors authorized the District to collect and spend or retain in a reserve all currently levied taxes and fees of the District without regard to any limitations under TABOR or the 5.5% limitation of CRS 29-1-301.

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 7: Risk Management

Except as provided in the Colorado Governmental Immunity Act, 24-10-101, et seq., CRS, the District may be exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors or omissions; injuries to agents; and natural disasters. The District has elected to participate in the Colorado Special Districts Property and Liability Pool ("Pool") which is an organization created by intergovernmental agreement to provide common liability and casualty insurance coverage to its members at a cost that is considered economically appropriate. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for auto, public officials' liability, and property and general liability coverage. In the event aggregated losses incurred by the Pool exceed its amounts recoverable from reinsurance contracts and its accumulated reserves, the District may be called upon to make additional contributions to the Pool on the basis proportionate to other members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

Note 8: Reconciliation of Government-Wide Financial Statements and Fund Financial Statements

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

- 1) Capital improvements used in government activities are not financial resources and, therefore are not reported in the funds; and
- 2) long-term liabilities such as loans payable, accrued interest payable are not due and payable in the current period and, therefore, are not in the funds.

LINCOLN PARK METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2016

The Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities includes an adjustments column. The adjustments have the following elements:

- 1) Governmental funds report capital outlays as expenditures, however, in the statement of activities, the costs of those assets are held as construction in process pending transfer to other governmental entities or depreciated over their useful lives;
- 2) governmental funds report interest expense on the modified accrual basis; however, interest expense is reported on the full accrual method on the Statement of Activities; and,
- 3) governmental funds report long-term debt payments as expenditures, however, in the statement of activities, the payment of long-term debt is recorded as a decrease of long-term liabilities.

SUPPLEMENTAL INFORMATION

LINCOLN PARK METROPOLITAN DISTRICT

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

For the Year Ended December 31, 2016

	Original & Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES			
Property taxes	\$ 1,459,998	\$ 1,440,721	\$ (19,277)
Specific ownership taxes	130,000	134,071	4,071
Interest income	<u>700</u>	<u>1,275</u>	<u>575</u>
 Total Revenues	 <u>1,590,698</u>	 <u>1,576,067</u>	 <u>(14,631)</u>
EXPENDITURES			
Loan principal	385,000	385,000	-
Loan interest expense	1,163,342	1,163,342	-
Paying agent fees	4,000	-	4,000
Treasurers' fees	<u>21,900</u>	<u>21,625</u>	<u>275</u>
 Total Expenditures	 <u>1,574,242</u>	 <u>1,569,967</u>	 <u>4,275</u>
 CHANGE IN FUND BALANCE	 16,456	 6,100	 (10,356)
 FUND BALANCE - BEGINNING OF YEAR	 <u>1,133,624</u>	 <u>1,133,624</u>	 <u>-</u>
 FUND BALANCE - END OF YEAR	 <u>\$ 1,150,080</u>	 <u>\$ 1,139,724</u>	 <u>\$ (10,356)</u>

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

LINCOLN PARK METROPOLITAN DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
CAPITAL PROJECTS FUND

For the Year Ended December 31, 2016

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES				
Park, rec and road maintenance fees	\$ 87,110	\$ 87,110	\$ 86,888	\$ (222)
System development fees	<u>-</u>	<u>320,000</u>	<u>317,182</u>	<u>(2,818)</u>
 Total Revenues	 <u>87,110</u>	 <u>407,110</u>	 <u>404,070</u>	 <u>(3,040)</u>
 EXPENDITURES				
Street repairs and improvements	90,000	120,000	115,405	4,595
System development fees	<u>-</u>	<u>320,000</u>	<u>317,182</u>	<u>2,818</u>
 Total Expenditures	 <u>90,000</u>	 <u>440,000</u>	 <u>432,587</u>	 <u>7,413</u>
 EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	(2,890)	(32,890)	(28,517)	4,373
 OTHER FINANCING SOURCES (USES)				
Transfer from General Fund	<u>140,000</u>	<u>140,000</u>	<u>140,000</u>	<u>-</u>
 Total Other Financing Sources (Uses)	 <u>140,000</u>	 <u>140,000</u>	 <u>140,000</u>	 <u>-</u>
 CHANGE IN FUND BALANCE	 137,110	 107,110	 111,483	 4,373
 FUND BALANCE - BEGINNING OF YEAR	 <u>234,500</u>	 <u>233,050</u>	 <u>233,050</u>	 <u>-</u>
 FUND BALANCE - END OF YEAR	 <u>\$ 371,610</u>	 <u>\$ 340,160</u>	 <u>\$ 344,533</u>	 <u>\$ 4,373</u>

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

LINCOLN PARK METROPOLITAN DISTRICT

SUMMARY OF ASSESSED VALUATION, MILL LEVY
AND PROPERTY TAXES COLLECTED

December 31, 2016

(Unaudited)

<u>Year Ended December 31,</u>	Prior Year Assessed Valuation		Prior Year Assessed Valuation		Total Property Tax		Percent Collected to Levied
	for Current Year Property Tax Levy General Fund	for Current Year Property Tax Levy Debt Service	for Current Year Property Tax Levy General Fund	for Current Year Property Tax Levy Debt Service	Levied	Collected	
1998	\$ 116,600	\$ 116,600	3.909	26.091	\$ 3,498	\$ 3,498	100.00%
1999	\$ 145,120	\$ 145,120	2.167	37.833	\$ 5,804	\$ 5,807	100.05%
2000	\$ 984,210	\$ 984,210	5.000	35.000	\$ 39,368	\$ 39,368	100.00%
2001	\$ 1,157,990	\$ 1,157,990	5.000	35.000	\$ 46,320	\$ 35,077	75.73%
2002	\$ 2,784,849	\$ 2,784,849	5.000	35.000	\$ 111,394	\$ 112,129	100.66%
2003	\$ 7,888,203	\$ 7,888,203	5.000	40.000	\$ 354,969	\$ 353,871	99.69%
2004	\$ 12,560,110	\$ 12,560,110	5.000	40.000	\$ 565,205	\$ 538,689	95.31%
2005	\$ 14,420,090	\$ 14,420,090	5.000	40.000	\$ 648,904	\$ 655,140	100.96%
2006	\$ 17,882,240	\$ 17,882,240	5.000	40.000	\$ 804,701	\$ 782,978	97.30%
2007	\$ 20,525,070	\$ 20,525,070	5.000	40.000	\$ 923,628	\$ 926,832	100.35%
2008	\$ 27,138,790	\$ 27,138,790	5.000	40.000	\$ 1,221,246	\$ 1,209,732	99.06%
2009	\$ 28,182,170	\$ 28,182,170	5.000	40.000	\$ 1,268,198	\$ 1,267,323	99.93%
2010	\$ 31,189,060	\$ 31,189,060	5.000	45.000	\$ 1,559,453	\$ 1,558,880	99.96%
2011	\$ 31,688,090	\$ 31,688,090	5.000	45.000	\$ 1,584,404	\$ 1,572,878	99.27%
2012	\$ 29,552,510	\$ 29,552,510	5.000	45.000	\$ 1,477,626	\$ 1,459,611	98.78%
2013	\$ 30,032,180	\$ 30,032,180	10.000	45.000	\$ 1,651,770	\$ 1,611,870	97.58%
2014	\$ 29,823,017	\$ 29,823,017	0.000	59.000	\$ 1,759,558	\$ 1,745,565	99.20%
2015	\$ 29,651,130	\$ 29,707,500	7.000	45.000	\$ 1,544,396	\$ 1,542,914	99.90%
2016	\$ 33,463,300	\$ 33,953,440	6.500	43.000	\$ 1,677,509	\$ 1,658,504	98.87%
Estimated for year ending December 31, 2017	\$ 33,697,440	\$ 33,753,700	6.500	43.000	\$ 1,670,442		

NOTE

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