

TRAER CREEK METROPOLITAN DISTRICT
Eagle County, Colorado

FINANCIAL STATEMENTS
December 31, 2016



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Independent Auditor's Report

Board of Directors
Traer Creek Metropolitan District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Traer Creek 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 audits. We conducted our audits 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 Traer Creek 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.
5/15/2017

BASIC FINANCIAL STATEMENTS

TRAER CREEK METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
December 31, 2016

ASSETS

Cash and investments	\$ 479,575
Cash and investments - Restricted	3,930,472
Accounts receivable	150
PIF receivable	421,062
Accrued interest receivable	1,013
Prepaid expense	28,520
Capital assets, net	
Construction in progress	921,668
Lot 2 garage	4,594,626
Parks and recreation	2,458,687
Total assets	12,835,773

DEFERRED OUTFLOWS OF RESOURCES

Deferred loss on refunding	82,414
Total deferred outflows of resources	82,414

LIABILITIES

Accounts payable	51,681
Bond interest payable	24,112
Note payable - Developer	4,011
Due to Wildlife Trust Fund	5,277
Noncurrent liabilities	
Due within one year	1,500,000
Due in more than one year	61,095,634
Total liabilities	62,680,715

NET POSITION

Net investment in capital assets, net of related debt	(45,947,245)
Restricted for:	
Debt service	1,603,012
Emergency reserves	15,100
Unrestricted	(5,433,395)
Total net position	\$ (49,762,528)

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

TRAER CREEK METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
Year Ended December 31, 2016

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Revenue and Changes in Net Position</u>
					<u>Governmental Activities</u>
Primary government:					
Government activities:					
General government	\$ 361,597	\$ -	\$ -	\$ -	\$ (361,597)
Interest and related costs on long-term debt	1,777,822	-	229,430	-	(1,548,392)
Public works	382,531	-	-	-	(382,531)
	<u>\$ 2,521,950</u>	<u>\$ -</u>	<u>\$ 229,430</u>	<u>\$ -</u>	<u>(2,292,520)</u>
General revenues:					
Retail sales fees					3,921,410
Net investment income					11,609
Miscellaneous income					302
Total general revenues					<u>3,933,321</u>
Change in net position					1,640,801
Net position - Beginning, as Restated					<u>(51,403,329)</u>
Net position - Ending					<u>\$ (49,762,528)</u>

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

**TRAER CREEK METROPOLITAN DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2016**

	General	Special Revenue	Debt Service	Capital Projects	Total Governmental Funds
ASSETS					
Cash and investments	\$ 429,039	\$ 50,536	\$ -	\$ -	\$ 479,575
Cash and investments - Restricted	15,100	-	3,859,633	55,739	3,930,472
PIF receivable	-	4,077	416,985	-	421,062
Accrued interest receivable	-	-	1,013	-	1,013
Accounts receivable	-	-	150	-	150
Prepaid expense	28,520	-	-	-	28,520
TOTAL ASSETS	<u>\$ 472,659</u>	<u>\$ 54,613</u>	<u>\$ 4,277,781</u>	<u>\$ 55,739</u>	<u>\$ 4,860,792</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 10,911	\$ 442	\$ 23,328	\$ 17,000	\$ 51,681
Bond interest payable	-	-	24,112	-	24,112
Note payable - Developer	-	4,011	-	-	4,011
Due to Wildlife Trust Fund	-	5,277	-	-	5,277
Total liabilities	<u>10,911</u>	<u>9,730</u>	<u>47,440</u>	<u>17,000</u>	<u>85,081</u>
FUND BALANCES					
Nonspendable for:					
Prepaid expenses	28,520	-	-	-	28,520
Restricted for:					
Emergency reserves	15,100	-	-	-	15,100
Debt service	-	-	4,230,341	-	4,230,341
Assigned for:					
Capital projects	-	-	-	38,739	38,739
Special Revenue Fund	-	44,883	-	-	44,883
Unassigned, reported in:					
General Fund	418,128	-	-	-	418,128
Total fund balances	<u>461,748</u>	<u>44,883</u>	<u>4,230,341</u>	<u>38,739</u>	<u>4,775,711</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 472,659</u>	<u>\$ 54,613</u>	<u>\$ 4,277,781</u>	<u>\$ 55,739</u>	

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.	7,974,981
The deferred loss on refunding is not a current financial resource, therefore not reported as a deferred outflow of resources in the fund financial statements.	82,414
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	
Payable to Town	(3,522,309)
Bonds payable	(35,432,000)
Developer advance payable	(12,047,736)
Letter of credit fee payable	(240,274)
Accrued interest payable - Developer advance	(11,225,643)
Accrued interest payable - Payable to Town	(127,672)
Net position of governmental activities	<u>\$ (49,762,528)</u>

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

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

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
REVENUES					
Intergovernmental revenue - The Village	\$ -	\$ -	\$ 229,430	\$ -	\$ 229,430
Retail sales fees	500,000	39,214	3,382,196	-	3,921,410
Net investment income	-	518	11,091	-	11,609
Miscellaneous income	302	-	-	-	302
Total revenues	<u>500,302</u>	<u>39,732</u>	<u>3,622,717</u>	<u>-</u>	<u>4,162,751</u>
EXPENDITURES					
General and administration					
Accounting	34,150	4,515	-	-	38,665
Audit fees	5,500	-	-	-	5,500
Directors' fees	600	-	-	-	600
District management	17,918	-	-	-	17,918
Dues and membership	663	-	-	-	663
Insurance and bonds	27,933	-	-	-	27,933
Legal	23,954	1,879	-	-	25,833
Election costs	1,140	-	-	-	1,140
Miscellaneous	725	-	-	-	725
Intergovernmental expense - The Village	29,827	-	-	-	29,827
Operations and maintenance					
Acquisition of Eagle Park Reservoir Stock	11,880	-	-	-	11,880
Asphalt overlay contribution	40,000	-	-	-	40,000
Flag pole maintenance	5,706	-	-	-	5,706
Engineering	189	-	-	-	189
Parking garage maintenance	20,287	-	-	-	20,287
Tract E Park	14,383	-	-	-	14,383
Common area Maintenance	107,930	-	-	-	107,930
Utilities	12,418	-	-	-	12,418
Debt service					
Bond principal	-	-	2,677,000	-	2,677,000
Interest expense - Bonds	-	-	211,042	-	211,042
Legal - Special	-	-	31,387	-	31,387
LOC fees	-	-	582,886	-	582,886
Paying agent fees	-	-	12,901	-	12,901
Remarketing fees	-	-	41,395	-	41,395
Capital outlay					
Engineering	-	-	-	18,695	18,695
Total expenditures	<u>355,203</u>	<u>6,394</u>	<u>3,556,611</u>	<u>18,695</u>	<u>3,936,903</u>
NET CHANGE IN FUND BALANCES	145,099	33,338	66,106	(18,695)	225,848
FUND BALANCES - BEGINNING OF YEAR	<u>316,649</u>	<u>11,545</u>	<u>4,164,235</u>	<u>57,434</u>	<u>4,549,863</u>
FUND BALANCES - END OF YEAR	<u>\$ 461,748</u>	<u>\$ 44,883</u>	<u>\$ 4,230,341</u>	<u>\$ 38,739</u>	<u>\$ 4,775,711</u>

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

**TRAER CREEK 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	\$ 225,848
<p>Governmental funds report capital outlays as expenditures. In the statement of activities capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense the allocation of the cost of any depreciable asset over the estimated useful life of the asset.</p>	
Depreciation expense	(363,836)
<p>The issuance of long-term debt (e.g., bonds, Developer advances) 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.</p>	
Interest on developer advances	(735,042)
Interest on payable to Town	(52,836)
Principal payment	2,677,000
Letter of credit fees - deferred	(101,641)
Amortization of deferred loss on bond refunding	(8,692)
	(1,530,011)
Changes in net position of governmental activities	\$ 1,640,801

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

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

	<u>Original and Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Retail sales fees	\$ 500,000	\$ 500,000	\$ -
Miscellaneous income	-	302	302
Total revenues	<u>500,000</u>	<u>500,302</u>	<u>302</u>
EXPENDITURES			
General and administration			
Accounting	56,000	34,150	21,850
Audit fees	5,500	5,500	-
Directors' fees	1,600	600	1,000
District management	40,000	17,918	22,082
Dues and membership	1,300	663	637
Insurance and bonds	27,000	27,933	(933)
Legal	50,000	23,954	26,046
Election costs	1,000	1,140	(140)
Miscellaneous	2,440	725	1,715
Intergovernmental expense - The Village	36,180	29,827	6,353
Operations and maintenance			
Acquisition of Eagle Park Reservoir Stock	11,880	11,880	-
Asphalt overlay contribution	40,000	40,000	-
Flag pole maintenance	10,000	5,706	4,294
Landscape maintenance	5,000	-	5,000
Engineering	5,000	189	4,811
Parking garage maintenance	32,000	20,287	11,713
Snow removal	20,000	-	20,000
Tract E Park	25,000	14,383	10,617
Common area Maintenance	120,000	107,930	12,070
Utilities	20,000	12,418	7,582
Total expenditures	<u>509,900</u>	<u>355,203</u>	<u>154,697</u>
NET CHANGE IN FUND BALANCE	(9,900)	145,099	154,999
FUND BALANCES - BEGINNING OF YEAR	<u>227,081</u>	<u>316,649</u>	<u>89,568</u>
FUND BALANCES - END OF YEAR	<u>\$ 217,181</u>	<u>\$ 461,748</u>	<u>\$ 244,567</u>

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

**TRAER CREEK METROPOLITAN DISTRICT
SPECIAL REVENUE 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				
Retail sales fees	\$ 20,000	\$ 25,000	\$ 39,214	\$ 14,214
Net investment income	20	400	518	118
Total revenues	<u>20,020</u>	<u>25,400</u>	<u>39,732</u>	<u>14,332</u>
EXPENDITURES				
General and administration				
Accounting	10,000	5,000	4,515	485
Legal	5,000	5,000	1,879	3,121
District management	1,000	-	-	-
Contingency	4,020	-	-	-
Total expenditures	<u>20,020</u>	<u>10,000</u>	<u>6,394</u>	<u>3,606</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>15,400</u>	<u>33,338</u>	<u>17,938</u>
OTHER FINANCING SOURCES (USES)				
Transfers to other funds	-	(36,233)	-	36,233
Total other financing sources (uses)	<u>-</u>	<u>(36,233)</u>	<u>-</u>	<u>36,233</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>-</u>	<u>(20,833)</u>	<u>33,338</u>	<u>54,171</u>
FUND BALANCES - BEGINNING OF YEAR	<u>-</u>	<u>20,833</u>	<u>11,545</u>	<u>(9,288)</u>
FUND BALANCES - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,883</u>	<u>\$ 44,883</u>

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

TRAER CREEK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 1 - DEFINITION OF REPORTING ENTITY

Traer Creek Metropolitan District (District), a quasi-municipal corporation, was organized on February 3, 1999, concurrently with The Village Metropolitan District (The Village) and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District's service area is located entirely in the Town of Avon (Avon or Town) in Eagle County, Colorado. The District's service plan was approved by the Town. The District was established to provide financing for the construction of streets, traffic and safety protection, water facilities, sanitary sewer, storm drainage, parks and recreation, television relay and translation, public transportation, fire protection and emergency medical services and mosquito control. Pursuant to its Service Plan, the District is intended to be the Service District related to The Village, serving as the Financing District, for the development of the service area which encompasses the area of both the District and The Village and is generally known as The Village at Avon (the Project).

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.

On May 8, 2002, The Village (at Avon) Commercial Public Improvement Company (Commercial PIC) and The Village (at Avon) Mixed-Use Public Improvement Company (Mixed-Use PIC) were formed. Both the Commercial PIC and the Mixed-Use PIC are Colorado nonprofit corporations that were formed for the purpose of adopting and imposing Declarations and Covenants on property within the Village (at Avon) and for the purpose of imposing and collecting certain fees. The Commercial PIC and the Mixed-Use PIC have entered into an agreement with the District whereby the PICs have agreed to remit to the District certain revenue received from fees imposed by the PICs in consideration of the District's financing, construction, and operation of public improvements which benefit the members of the PICs, the Town of Avon and the general public.

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

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.

TRAER CREEK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 the 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.

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

The District reports the following major governmental funds:

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

The Special Revenue Fund is used to account for the revenues earned and expenditures incurred in connection with the Commercial PIC and the Mixed-Use PIC that benefit the District. It accounts for the portion of retail sales fee revenues that are used for the payment of administrative expenses for the PICs.

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.

TRAER CREEK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Capital Projects Fund is used to account for financial resources to be used for the acquisition and construction of capital equipment and facilities.

Budgets

In accordance with the State Local Government 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.

Capital Assets

Capital assets, which include property, plant, equipment, 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 fair value at the date of donation.

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

Depreciation expense has been computed using the straight-line method over the estimated economic useful lives:

Infrastructure:

Street networks	30 years
Park networks	30 years
Water and sewer improvements	30 years
Lot 2 garage improvements	30 years
Garage doors	10 years

TRAER CREEK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tap Fees

Tap fees are recorded as capital contributions when received.

Cost of Bond Refunding

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The government only has one item that qualifies for reporting in this category. Accordingly, the item, *loss on refunding*, is deferred and recognized as an outflow of resource in the period that the amounts become available.

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 item which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, no items 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 government's practice to use restricted resources first, then unrestricted resources as they are needed.

Fund Balance

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

TRAER CREEK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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	\$ 479,575
Cash and investments - Restricted	<u>3,930,472</u>
Total cash and investments	<u>\$ 4,410,047</u>

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

Deposits with financial institutions	\$ 491,859
Investments	<u>3,918,188</u>
Total cash and investments	<u>\$ 4,410,047</u>

At December 31, 2016, the District’s cash deposits had a bank and a carrying balance of \$491,859.

TRAER CREEK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

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.

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 requirement.

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

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

**TRAEER CREEK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

Fair Value Measurement and Application

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

The District had invested in COLOTRUST, an external investment pool that records its investments at fair value. The investment in COLOTRUST is categorized as a Leve 2 investment.

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

Investment	Maturity	Fair Value
Colorado Liquid Asset Trust (COLOTRUST)	Weighted average under 60 days	\$ 398,660
U.S. Treasury money market fund	Weighted average under 60 days	<u>3,519,528</u>
		<u><u>\$ 3,918,188</u></u>

COLOTRUST

The District invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statues governing COLOTRUST. COLOTRUST operates similarly to a money market fund and each share is equal in value to \$1.00. COLOTRUST offers two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities, certain obligations of agencies of the U.S. government and written purchase agreements collateralized by U.S Treasury securities or certain obligations of U.S government agencies. COLOTRUST PLUS+ may also invest in highest rated commercial paper and any security allowed under CRS 24-75-601. A designated custodial bank serves as a custodian for COLOTRUST’s portfolios pursuant to a custodian agreement.

The custodian acts as a safekeeping agent for COLOTRUST’s investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian’s internal records segregate investments owned by COLOTRUST. COLOTRUST is rated AAAM by Standard & Poor’s.

**TRAER CREEK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

U.S. Treasury Money Market Fund

The debt service money that was included in the trust accounts at U.S. Bank was invested in the Fidelity Governmental Fund 57 (Class 1). The Fidelity Governmental Fund is a money market fund that is managed by Fidelity Investments and each share is equal in value to \$1.00. The fund is AAAM rated and invests in high quality short-term obligations, with approximately 80% of assets invested in government securities. The average maturity of the underlying securities is 60 days or less.

NOTE 4 - PROPERTY AND EQUIPMENT

An analysis of the changes in property and equipment for the year ended December 31, 2016, follows:

	<u>Balance at December 31, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at December 31, 2016</u>
Governmental activities				
Capital assets, not being depreciated				
Construction in progress	\$ 921,668	\$ -	\$ -	\$ 921,668
Total capital assets, not being depreciated	<u>921,668</u>	<u>-</u>	<u>-</u>	<u>921,668</u>
Capital assets, being depreciated				
Lot 2 garage	6,477,336	-	-	6,477,336
Phase I park	1,240,420	-	-	1,240,420
Tract E park	2,849,419	-	-	2,849,419
Flagpole	312,242	-	-	312,242
Total capital assets, being depreciated	<u>10,879,417</u>	<u>-</u>	<u>-</u>	<u>10,879,417</u>
Less accumulated depreciation for:				
Lot 2 garage	1,665,610	217,100	-	1,882,710
Phase I park	587,957	41,347	-	629,304
Tract E park	1,089,012	94,981	-	1,183,993
Flagpole	119,689	10,408	-	130,097
Total accumulated depreciation	<u>3,462,268</u>	<u>363,836</u>	<u>-</u>	<u>3,826,104</u>
Total capital assets, being depreciated, net	<u>7,417,149</u>	<u>(363,836)</u>	<u>-</u>	<u>7,053,313</u>
Governmental activities capital asset, net	<u>\$ 8,338,817</u>	<u>\$ (363,836)</u>	<u>\$ -</u>	<u>\$ 7,974,981</u>

Depreciation expense in the amount of \$363,836 was charged to function/programs of the District as Public works.

**TRAEER CREEK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 5 - LONG-TERM OBLIGATIONS

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

	<u>Balance at December 31, 2015</u>	<u>Additions</u>	<u>Retirement of Long-Term Obligations</u>	<u>Balance at December 31, 2016</u>	<u>Due Within One Year</u>
Series 2014 Refunding Bonds	\$ 38,109,000	\$ -	\$ 2,677,000	\$ 35,432,000	\$ 1,500,000
Developer advances*	12,047,736	-	-	12,047,736	-
Interest on Developer advances* (Restated)	10,490,601	735,042	-	11,225,643	-
Payable to Town (long-term)*	3,522,309	-	-	3,522,309	-
Interest on Payable to Town	74,836	52,836	-	127,672	-
Letter of credit fees - deferred	138,633	101,641	-	240,274	-
	<u>\$ 64,383,115</u>	<u>\$ 889,519</u>	<u>\$ 2,677,000</u>	<u>\$ 62,595,634</u>	<u>\$ 1,500,000</u>

* Subject to annual budget and appropriation and subordinate to the Bonds.

<u>Priority of Repayment of Developer Advances</u>	<u>Repayment Party</u>	<u>Principal Amount</u>	<u>Accrued Interest</u>	<u>Total ²</u>
Amended and Restated Funding and Reimbursement Agreement ¹	Traer Creek, LLC	\$ 3,476,752	\$ 3,848,160	\$ 7,324,912
Facilities Acquisition Agreement ³	See Note 3 below	4,029,786	3,805,664	7,835,450
2003 Funding and Reimbursement Agreement, as amended - 8%	Traer Creek, LLC	1,018,889	2,399,065	3,417,954
2003 Funding and Reimbursement Agreement, as amended - 1.5%	Traer Creek, LLC	1,541,784	55,884	1,597,668
2006 Operation Funding Agreement	Traer Creek, LLC	576,310	389,160	965,470
2007 Operation Funding Agreement	Traer Creek, LLC	841,980	488,148	1,330,128
2008 Operation Funding Agreement (non-cash)	Traer Creek, LLC	279,116	144,612	423,728
2009 Operations Advance (non-cash)	Traer Creek, LLC	87,694	35,351	123,045
2010 Operations Advance (non-cash)	Traer Creek, LLC	122,743	39,661	162,404
2011 Operations Advance (non-cash)	Traer Creek, LLC	72,682	19,938	92,620
		<u>\$ 12,047,736</u>	<u>\$ 11,225,643</u>	<u>\$ 23,273,379</u>
Payable to Town				
2008 Avon Receivable	Town of Avon	\$ 482,642	\$ 17,494	\$ 500,136
2009 Avon Receivable	Town of Avon	1,064,062	38,569	1,102,631
2010 Avon Receivable	Town of Avon	1,126,649	40,837	1,167,486
2011 Avon Receivable	Town of Avon	848,956	30,772	879,728
Total Avon receivable		<u>\$ 3,522,309</u>	<u>\$ 127,672</u>	<u>\$ 3,649,981</u>

¹ The net credit for amounts owed to the District by the Developer for Cable TV Filing 1; Utilities Filing 3; and the Parking Structure (645k) accumulated interest that were in excess of the additional developer advances not captured above for the Dirt Removal Agreement \$417k with was applied against the accrued interest for the Amended and Restated Funding and Reimbursement Agreement, pursuant to a May 8, 2013 Letter Agreement.

² All totals are as of December 31, 2016.

³ The District's records reflect that the amount outstanding at December 31, 2016 (exclusive of interest) is as follows:

Traer Creek-RP, LLC	\$ 2,440,000
Buffalo Ridge Affordable Housing Corporation, Buffalo Ridge II, LLLP	1,589,786
Total amount outstanding at December 31, 2016 (exclusive of interest)	<u>\$ 4,029,786</u>

Repayment of amounts due under the Facilities Acquisition Agreement will be allocated equally (on a pari passu basis) as funds are available after reimbursement to Traer Creek, LLC under the Amended and Restated Funding and Reimbursement Agreement dated May 8, 2002, as amended.

**TRAER CREEK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

Revenue Bonds Payable

The District issued \$40,175,000 Taxable Variable Rate Revenue Refunding Bonds, Series 2014, dated August 1, 2014, to refund Series 2002 bonds and Series 2004 bonds. The interest rate of the bonds is a variable rate that is determined weekly by the remarketing agent payable on the first business day of the following month. The bonds are payable from net pledged revenue including all retail sales fees, tap fees, real estate transfer fees, accommodation fees, and other fees and taxes and all interest income or other revenues received by the District and all property taxes (after the first \$500,000 – see Tank Project Financing Reimbursement and Pledge Agreement) and specific ownership taxes collected by The Village.

The bonds are secured by an irrevocable, direct pay letter of credit issued by BNP Paribas (the Bank) in the stated amount of \$40,551,434. The letter of credit expires on July 31, 2017, unless extended by the Bank at its sole discretion. The District is required to annually pay the Bank a fee of 1.50% based on the rating of the long-term unsecured senior debt of certain retail entities which have guaranteed certain fee payments to the District, as stipulated in the Reimbursement Agreement with the Bank. Until such time the District has a sufficient revenue stream, the Bank has agreed to defer a portion of the annual LOC fee. As of December 31, 2016, the balance of deferred fees is \$240,274.

Using the interest rate at December 31, 2016 of 0.85%, the estimated annual requirement to amortize the remaining Series 2014 Bonds is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 1,500,000	\$ 301,172	\$ 1,801,172
2018	1,500,000	288,422	1,788,422
2019	1,500,000	275,672	1,775,672
2020	1,500,000	262,922	1,762,922
2021	1,750,000	250,172	2,000,172
2022-2026	9,500,000	1,021,360	10,521,360
2027-2030	18,182,000	490,688	18,672,688
	<u>\$ 35,432,000</u>	<u>\$ 2,890,408</u>	<u>\$ 38,322,408</u>

**TRAEER CREEK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

Using the interest rate at December 31, 2016, of 1.5% for 2017 and 3% thereafter, the estimated annual requirement to amortize the remaining Series 2014 Bonds is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 1,500,000	\$ 531,480	\$ 2,031,480
2018	1,500,000	1,017,960	2,517,960
2019	1,500,000	972,960	2,472,960
2020	1,500,000	927,960	2,427,960
2021	1,750,000	882,960	2,632,960
2022-2026	9,500,000	3,604,800	13,104,800
2027-2030	18,182,000	1,731,840	19,913,840
	<u>\$ 35,432,000</u>	<u>\$ 9,669,960</u>	<u>\$ 45,101,960</u>

Funding and Reimbursement Agreements

On January 16, 2002, the District and Traer Creek LLC (Developer) entered into a Funding and Reimbursement Agreement, which was amended and restated on May 8, 2002, by the Amended and Restated Funding and Reimbursement Agreement to set forth certain agreements between the parties concerning the funding of certain public improvements. On July 2, 2003, the District and the Developer entered into the 2003 Funding and Reimbursement Agreement, which was amended by the First Amendment to 2003 Funding and Reimbursement Agreement dated as of March 25, 2004 (as amended, the 2003 Funding and Reimbursement Agreement), to address the need for additional funds from the Developer due to an increase in the costs of construction of the public improvements. Under the 2003 Funding and Reimbursement Agreement, the District acknowledges certain amounts of outstanding prior advances made by the Developer which supersede and clarify amounts set forth in prior agreements, including the Amended and Restated Funding and Reimbursement Agreement. Under the 2003 Funding and Reimbursement Agreement, the District may require the Developer to advance additional funds for construction related expenses to complete the improvements up to a maximum amount of \$7,166,769 plus unpaid prior advances of \$3,476,752 for a total amount of \$10,643,521. To the extent of revenues available and on a basis subordinate to any amounts due to the bank and on the bonds, the District will reimburse the Developer for amounts advanced pursuant to the 2003 Funding and Reimbursement Agreement, plus interest at 8.0% per annum. Pursuant to a settlement agreement on August 1, 2014, the interest rate was reduced to 1.5% on a portion of the outstanding amount of the 2003 obligation.

The balance due to the Developer at December 31, 2016, was \$12,340,534.

On December 14, 2007, the District and the Developer entered into the 2008 Funding and Reimbursement Agreement. Pursuant to the 2008 Funding and Reimbursement Agreement, the Developer acknowledged that the District anticipated a shortfall in meeting its capital expenses for 2008 in the amount of \$111,880 (2008 Shortfall Amount). The 2008 Shortfall Amount was

TRAER CREEK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

based on estimates of revenues and expenditures for the 2008 fiscal year as set forth in the "Traer Creek Metropolitan District Summary Forecasted 2008 Budget as Projected." The District agreed to exercise its reasonable efforts to impose and collect its rates, fees, tolls, and charges in the amounts set forth in its Service Plan to adhere to the disbursement assumptions set forth in the Cash Flow Projection. The District also agreed to reimburse the Developer for amounts advanced hereunder, plus compound interest thereon at an annual interest rate of 8.0% per annum. The Developer did not advance any funds to the District pursuant to the 2008 Funding and Reimbursement Agreement. No amounts are due under this Agreement as of December 31, 2016.

Buffalo Ridge Facilities Acquisition Agreement

A Facilities Acquisition Agreement was entered into on May 29, 2002, by and among the District, Buffalo Ridge Affordable Housing Corporation, a Colorado nonprofit corporation, Buffalo Ridge II, LLLP, a Colorado limited liability limited partnership (together, the Affordable Housing Developer), and Traer Creek - RP, LLC (Traer Creek - RP) (the Buffalo Ridge Facilities Acquisition Agreement). Pursuant to the Buffalo Ridge Facilities Acquisition Agreement, the Affordable Housing Developer has agreed to fund costs related to the construction of public improvements within the Buffalo Ridge affordable housing project (the Buffalo Ridge Improvements). As set forth in the Buffalo Ridge Facilities Acquisition Agreement, the Affordable Housing Developer has agreed to assign its rights to the reimbursement of \$2,440,000 of the cost of Buffalo Ridge Improvements constructed to Traer Creek - RP. The District agrees to the extent of funds available therefore, to repay the Affordable Housing Developer and the Developer for the total costs of the Buffalo Ridge Improvements, including, but not limited to, all costs of design, testing, engineering, construction, and related consulting and construction management fees and costs, plus simple interest thereon at an annual interest rate of 8.0%. All parties agree that the interest accrual on such reimbursements is to commence on the date the cost is incurred by the Affordable Housing Developer. Under the Buffalo Ridge Facilities Acquisition Agreement, the District has agreed to reimburse the Affordable Housing Developer and Traer Creek - RP from the proceeds of bonds issued by the District in the future or from available revenues of the District, if appropriated for such purposes, on a basis subordinate to amounts owing on the bonds or to the Bank, and under the 2002 Amended and Restated Funding and Reimbursement Agreement. Under this agreement, the District acquired public improvements, and acknowledged that the obligation to acquire such improvements was in the principal amount of \$4,029,786.

The balance due, collectively, to the Affordable Housing Developer and Traer Creek – RP at December 31, 2016, was \$7,835,450.

Phase II Funding and Reimbursement Agreement

On May 12, 2004, the District and the Developer entered into the Phase II Funding and Reimbursement Agreement, which was amended on June 8, 2004, by the First Amendment to Phase II Funding and Reimbursement Agreement to set forth certain agreements between the parties concerning the funding of certain public improvements known as "Phase II Improvements" as defined within the agreement. Under the Phase II Funding and Reimbursement Agreement, as amended, the District may require the Developer to advance

TRAER CREEK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

additional funds for construction related expenses to complete the improvements up to a maximum amount of \$4,320,000. The District agreed to exercise reasonable efforts to issue bonds to reimburse the Developer for advances made under the Phase II Funding and Reimbursement Agreement. To the extent of revenues available from subsequent bond issuances and on a basis subordinate to any amounts due to the bank, the bonds, and any other amounts owed to the Developer, the District will reimburse the Developer for amounts advanced pursuant to the Phase II Funding and Reimbursement Agreement, plus interest at 8.0% per annum.

The balance due to the Developer at December 31, 2016, was \$-0-.

2006 Operation Funding Agreement

On January 26, 2006, the District, The Village Metropolitan District, and the Developer entered into a 2006 Operation Funding Agreement (the 2006 Operation Funding Agreement). Pursuant to the 2006 Operation Funding Agreement, the Developer agreed to fund the ongoing operations and maintenance costs of the District, upon request, up to a maximum amount of \$712,000. To the extent of revenues available and on a basis subordinate to any amounts due to the bank and on the bonds, the District will reimburse the Developer for amounts advanced pursuant to the 2006 Operation Funding Agreement, plus interest at 8.0% per annum from the date of the advance. On August 1, 2014 the interest rate was reduced to 1.5% pursuant to a settlement agreement.

The balance due to the Developer at December 31, 2016, was \$965,470.

2007 Operation Funding Agreement

On November 30, 2006, the District, The Village Metropolitan District, and the Developer entered into a 2007 Operation Funding Agreement (the 2007 Operation Funding Agreement). Pursuant to the 2007 Operation Funding Agreement, the Developer agreed to fund the ongoing operations and maintenance costs of the District, upon request, up to a maximum amount of \$712,000. To the extent of revenues available and on a basis subordinate to any amounts due to the bank and on the bonds, the District will reimburse the Developer for amounts advanced pursuant to the 2007 Operation Funding Agreement, plus interest at 8.0% per annum from the date of the advance. The 2007 Operation Funding Agreement was amended on December 14, 2007, to raise the maximum shortfall amount to \$842,000 and to modify certain other provisions. On August 1, 2014 the interest rate was reduced to 1.5% pursuant to a settlement agreement.

The balance due to the Developer at December 31, 2016, was \$1,330,128.

2008 Operation Funding Agreement

On December 14, 2007, the District, the Village Metropolitan District, and the Developer entered into a 2008 Operation Funding Agreement (the 2008 Operation Funding Agreement). Pursuant to the 2008 Operation Funding Agreement, the Developer agreed to fund the ongoing operations and maintenance costs of the District, upon request. During 2008, the Developer provided landscape maintenance services to the District's public improvements and the District

TRAER CREEK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

recognized these costs as non-cash advances in the amount of \$279,116. To the extent of revenues available and on a basis subordinate to any amounts due to the bank and on the bonds, the District will reimburse the Developer for amounts advanced, plus interest at 8% per annum from the date of the advance. On August 1, 2014 the interest rate was reduced to 1.5% pursuant to a settlement agreement.

The balance due to the Developer at December 31, 2016, was \$423,728.

2009 Operations Advance (Non-Cash)

During the year ended December 31, 2009, EMD-CM LLC (EMD-CM) and Traer Creek Plaza LLC (TCP) provided maintenance services related to the District's public improvements. Pursuant to the First Amendment to the Second Amended and Restated Phase II Construction Management and Maintenance Agreement, the Developer agreed to pay EMD-CM and TCP directly for these landscaping services, and the District agreed to reimburse the Developer for these amounts when funds become available, subject to budget and appropriation, with interest at a rate of 8%. The District recognized the Developer's payments, on its behalf, as non-cash advances. On August 1, 2014 the interest rate was reduced to 1.5% pursuant to a settlement agreement.

The balance due to the Developer at December 31, 2016, was \$123,045.

2010 Operations Advance (Non-Cash)

During the year ended December 31, 2010, EMD-CM LLC (EMD-CM) and Traer Creek Plaza LLC (TCP) provided maintenance services related to the District's public improvements. Pursuant to the First Amendment to the Second Amended and Restated Phase II Construction Management and Maintenance Agreement, the Developer agreed to pay EMD-CM and TCP directly for these landscaping services, and the District agreed to reimburse the Developer for these amounts when funds become available, subject to budget and appropriation, with interest at a rate of 8%. The District recognized the Developer's payments, on its behalf, as non-cash advances. On August 1, 2014 the interest rate was reduced to 1.5% pursuant to a settlement agreement.

The balance due to the Developer at December 31, 2016, was \$162,404.

2011 Operations Advance (Non-Cash)

During the year ended December 31, 2011, EMD-CM LLC (EMD-CM) and Traer Creek Plaza LLC (TCP) provided maintenance services related to the District's public improvements. Pursuant to the First Amendment to the Second Amended and Restated Phase II Construction Management and Maintenance Agreement, the Developer agreed to pay EMD-CM and TCP directly for these landscaping services, and the District agreed to reimburse the Developer for these amounts when funds become available, subject to budget and appropriation, with interest at a rate of 8%. The District recognized the Developer's payments, on its behalf, as non-cash advances. On August 1, 2014 the interest rate was reduced to 1.5% pursuant to a settlement agreement.

The balance due to the Developer at December 31, 2016, was \$92,620.

**TRAER CREEK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

Service Agreement for Maintenance Services

On November 11, 2013, the District entered into the Service Agreement for Maintenance Services with EMD-CM, pursuant to which EMD-CM agreed to provide an agreed upon scope of maintenance services to the District. The District agrees to pay EMD-CM for such services subject to budget appropriation with interest of 10% if not paid within 45 days.

Payable to the Town

On August 1, 2014, in connection with the terms of a settlement agreement being fulfilled (see Note 8), the District became obligated to incur simple interest of 1.5% on the \$3,522,309 obligation due to the Town for costs associated with years 2008 – 2011.

Debt Authorization

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

	Amount	Amount	Amount	Authorization Used		Authorized But Unissued
	Authorized on November 3, 1998	Authorized on November 6, 2001	Authorized on November 5, 2002	Series 2002 Bonds	Series 2004 Bonds	
Streets	\$ 125,000,000	\$ 158,000,000	\$ 158,000,000	\$ 31,611,000	\$ 12,333,000	\$ 397,056,000
Safety protection	2,000,000	158,000,000	158,000,000	-	-	318,000,000
Parks and recreation	27,000,000	158,000,000	158,000,000	950,000	501,000	341,549,000
Water	19,000,000	158,000,000	158,000,000	1,156,500	2,714,000	331,129,500
Sewer	11,000,000	158,000,000	158,000,000	426,000	1,252,000	325,322,000
Public transportation	18,000,000	158,000,000	158,000,000	-	-	334,000,000
Mosquito control	500,000	10,000,000	10,000,000	-	-	20,500,000
Fire protection	2,000,000	158,000,000	158,000,000	1,156,500	-	316,843,500
Television relay and translation	1,000,000	158,000,000	158,000,000	-	-	317,000,000
Refunding	-	158,000,000	158,000,000	-	-	316,000,000
	<u>\$ 205,500,000</u>	<u>\$ 1,432,000,000</u>	<u>\$ 1,432,000,000</u>	<u>\$ 35,300,000</u>	<u>\$ 16,800,000</u>	<u>\$ 3,017,400,000</u>

Pursuant to the Service Plan, the District is permitted to issue bonded indebtedness of up to \$158,000,000. In the future, the District may issue a portion or all of the remaining authorized but unissued general obligation debt for purposes of providing public improvements to support development as it occurs within the District's service area, however, as of the date of this audit, the amount and timing of any debt issuances is not determinable. No additional authorization was used with the issuance of the 2014 Refunding Bonds.

**TRAER CREEK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 6 - NET POSITION

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

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

	Governmental Activities
Net investment in capital assets, net of related debt:	
Capital assets, net	\$ 7,974,981
Current portion of long-term obligations	(1,324,133)
Noncurrent portion of long-term obligations	(53,932,502)
Portion of debt related to restricted cash and investments	<u>1,334,409</u>
	<u>\$ (45,947,245)</u>

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:

Restricted net position:	
Debt service	\$ 1,603,012
Emergency reserves	<u>15,100</u>
	<u>\$ 1,618,112</u>

The District had a deficit net position as of December 31, 2016. This deficit amount was a result of the District being responsible for the repayment of bonds issued and other debt obligations in excess of capital assets remaining with the District.

NOTE 7 - RELATED PARTIES

The Developer of the property within the District and The Village is Traer Creek LLC and several affiliated limited liability companies (Developer). The members of the Board of Directors of the District are employees, owners or otherwise associated with the Developer and may have conflicts of interest in dealing with the District.

The members of the Board also serve as the Board members of The Village and three of the Board members serve on the Boards for the Commercial PIC and Mixed-Use PIC.

**TRAER CREEK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 7 - RELATED PARTIES (CONTINUED)

Pursuant to the Second Amended and Restated Phase II Construction Management and Maintenance Agreement, as amended:

EMD-CM LLC (EMD-CM), an affiliate of the Developer, is the construction manager for the District. As construction manager, EMD-CM receives a construction management fee of 6% of the gross defined construction costs.

EMD-CM, an affiliate of the Developer, is the landscape maintenance contractor for the District. As the landscape maintenance contractor, EMD-CM performs tasks related to planting and maintaining several tracts and other areas in the District.

EMD-CM is the landscape maintenance and custodial contractor for the parking garage located in the District. As landscape maintenance and custodial contractor for the parking garage, EMD-CM performs tasks related to maintenance inside and outside the parking garage area.

Traer Creek Plaza LLC, an affiliate of the Developer, provides common area maintenance for the District.

NOTE 8 - AGREEMENTS

The Village

The District entered into a Facilities Funding, Construction and Operations Agreement on July 31, 2001, and later amended on March 4, 2002, with The Village, whereby the District will provide certain services and facilities, as described in the District's Service Plan, to current and future residents and property owners of both the District and The Village. Additionally, the District will provide the operations, maintenance and administrative services for The Village. The Village pledges all revenue it receives from ad valorem property taxes, specific ownership taxes and other rates, fees, tolls and charges that may be imposed and collected by The Village, if such revenue is not otherwise pledged, to assist in financing the facilities and services.

Town of Avon

On November 13, 2001, the District became a documented party to the First Amendment to the Annexation and Development Agreement (Annexation Agreement), initially entered into on October 13, 1998 (with Second and Third Amendments on May 27, 2003, and October 26, 2004, respectively), by the Town and several owners of certain real property in The Village (at Avon). The District has agreed to comply with the Town's requirements, policies and codes in the construction of infrastructure improvements and public facilities, including streets, drainage facilities, water lines, parks and recreation facilities, which will serve the needs of both The Village (at Avon) and the Town.

TRAER CREEK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 8 – AGREEMENTS (CONTINUED)

On October 22, 2013, the District entered into the Consolidated Amended and Restated Annexation and Development Agreement for the Village (at Avon) (CARADA) which became effective on August 1, 2014, as a result of the Series 2014 bond issuance. The CARADA outlines the new responsibilities for maintenance and ownership of infrastructure improvements within the development as well as the required contributions from the District. The District is required to provide \$40,000 towards asphalt overlays on an annual basis. This obligation is due to the Town by November 1st of each year. The CARADA also assigns \$500,000 of pledged revenue towards the repayment of the capital costs incurred to construct a water tank that is required for future development (discussed further under the Tank Project Financing Reimbursement and Pledge Agreement).

Additionally, on August 1, 2014, the Eagle County Court dismissed two civil actions involving the District, the Developer, and the Town as all terms of a settlement agreement were fulfilled.

Tap Fee Allocation Agreement

On November 29, 2001, the District, by assignment, became a party to the Tap Fee Allocation Agreement dated May 15, 1997, as amended June 21, 1999, by and between Eagle Vail Metropolitan District, the Town of Avon, EMD Limited Liability Company, PVRT NOTT I LLC, PVRT NOTT II LLC, and PVRT NOTT III LLC (the Tap Fee Allocation Agreement). Pursuant to the terms of the Tap Fee Allocation Agreement, the District agreed to collect water tap fees and water development fees on the property subject to the Tap Fee Allocation Agreement. The District agreed to convey 20% of all tap fees collected to Eagle Vail Metropolitan District. In 2016 the District conveyed \$-0- to Eagle Vail Metropolitan District under this Agreement.

Tank Project Financing Reimbursement and Pledge Agreement

On August 1, 2014, the District entered into a reimbursement and pledge agreement with the Village Metropolitan District and Traer Creek-RP LLC to deposit into Escrow sixty (60) semi-annual payments for Tank Project Financing. The first \$500,000 of property taxes received each year from the Village Metropolitan District will be pledged for Tank Project Financing and deposited into the Escrow account. In 2015, the Village transferred net proceeds to the District of \$7,460,000, of which \$7,264,500 was paid to the Developer to contribute to the overall cost of the water tank which is to be owned and maintained by Upper Eagle Regional Water Authority (UERWA).

NOTE 9 – RESTATEMENT OF NET POSITION

The District restated its net position by \$325,874 as a result of overstating its interest payable in prior years.

TRAER CREEK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 10 - RISK MANAGEMENT

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

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

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 11 - TAX, SPENDING AND DEBT LIMITATIONS

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

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

On November 3, 1998, a majority of the District's electors authorized the District to collect and spend or retain all revenues, from whatever source derived, without regard to any limitations under TABOR.

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

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

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

SUPPLEMENTARY INFORMATION

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

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Intergovernmental revenue - The Village	\$ 730,363	\$ 229,430	\$ (500,933)
Retail sales fees	3,151,000	3,382,196	231,196
Net investment income	1,500	11,091	9,591
Total revenues	<u>3,882,863</u>	<u>3,622,717</u>	<u>(260,146)</u>
EXPENDITURES			
Debt service			
Bond principal	1,500,000	2,677,000	(1,177,000)
Interest expense - Bonds	1,175,250	211,042	964,208
Legal	10,000	31,387	(21,387)
Contingency	-	-	-
LOC fees	659,000	582,886	76,114
Paying agent fees	15,000	12,901	2,099
Remarketing fees	55,000	41,395	13,605
Water tank obligation	500,000	-	500,000
Total expenditures	<u>3,914,250</u>	<u>3,556,611</u>	<u>357,639</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(31,387)</u>	<u>66,106</u>	<u>97,493</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(31,387)	66,106	97,493
FUND BALANCES - BEGINNING OF YEAR	<u>4,029,680</u>	<u>4,164,235</u>	<u>134,555</u>
FUND BALANCES - END OF YEAR	<u>\$ 3,998,293</u>	<u>\$ 4,230,341</u>	<u>\$ 232,048</u>

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

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Net investment income	\$ 200	\$ -	\$ (200)
Total revenues	<u>200</u>	<u>-</u>	<u>(200)</u>
EXPENDITURES			
Engineering	-	18,695	(18,695)
Contingency	60,844	-	60,844
Total expenditures	<u>60,844</u>	<u>18,695</u>	<u>42,149</u>
NET CHANGE IN FUND BALANCES	(60,644)	(18,695)	41,949
FUND BALANCES - BEGINNING OF YEAR	<u>60,644</u>	<u>57,434</u>	<u>(3,210)</u>
FUND BALANCES - END OF YEAR	<u>\$ -</u>	<u>\$ 38,739</u>	<u>\$ 38,739</u>

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

**\$40,175,000 Taxable Variable Rate Revenue Refunding Bonds
Series 2014, Dated August 1, 2014
Weekly Interest Rate Mode Assumed
Payable 1st Business Day of the Month, Principal Due October 1**

	<u>Principal</u>	<u>Interest*</u>	<u>Total</u>
2017	\$ 1,500,000	\$ 531,480	\$ 2,031,480
2018	1,500,000	1,017,960	2,517,960
2019	1,500,000	972,960	2,472,960
2020	1,500,000	927,960	2,427,960
2021	1,750,000	882,960	2,632,960
2022	1,750,000	830,460	2,580,460
2023	1,750,000	777,960	2,527,960
2024	2,000,000	725,460	2,725,460
2025	2,000,000	665,460	2,665,460
2026	2,000,000	605,460	2,605,460
2027	2,500,000	545,460	3,045,460
2028	2,500,000	470,460	2,970,460
2029	2,500,000	395,460	2,895,460
2030	10,682,000	320,460	11,002,460
	<u>\$ 35,432,000</u>	<u>\$ 9,669,960</u>	<u>\$ 45,101,960</u>

* The variable interest rate on the Bonds is estimated at 1.50%.