

Waterfront Metropolitan District
Financial Statements
Year Ended December 31, 2016
with
Independent Auditor's Report



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Hiratsuka & Associates, L.L.P.
Certified Public Accountants & Business Advisors

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Waterfront Metropolitan District
Larimer County, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of the Waterfront Metropolitan District (the District), Larimer County, Colorado, 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 (U.S. GAAP); 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of Waterfront Metropolitan District, Larimer County, Colorado, as of December 31, 2016, and the respective changes in financial position for the year then ended in conformity with U.S. GAAP.

Other Matters

Other Information

Management has not presented Management's Discussion and Analysis. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate

operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

U.S. GAAP requires that the budgetary comparison information on page 3 be presented. Such information is required by GASB, 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.

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Debt Service Fund was presented for the purpose of additional analysis and was not a required part of the financial statements. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Debt Service was the responsibility of management and was derived from and relate 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 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.

Hiratsuka & Associates, LLP

July 1, 2017
Wheat Ridge, Colorado

Waterfront Metropolitan District

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

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS					
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -
Cash and investments restricted	530	364,361	364,891	-	364,891
Receivable County Treasurer	-	2,275	2,275	-	2,275
Property taxes receivable	-	347,715	347,715	-	347,715
Prepaid Expenses	242	-	242	-	242
Development fee receivable	21,882	-	21,882	-	21,882
Due from other funds	-	6,039	6,039	(6,039)	-
Bond insurance - net	-	-	-	112,249	112,249
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 22,654</u>	<u>\$ 720,390</u>	<u>\$ 743,044</u>	<u>106,210</u>	<u>849,254</u>
LIABILITIES					
Accounts payable	\$ 12,740	\$ -	\$ 12,740	-	12,740
Due to other funds	6,039	-	6,039	(6,039)	-
Accrued interest on bonds	-	-	-	17,882	17,882
Long-term liabilities					
Due within one year	-	-	-	5,000	5,000
Due in more than one year	-	-	-	4,784,627	4,784,627
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>18,779</u>	<u>-</u>	<u>18,779</u>	<u>4,801,470</u>	<u>4,820,249</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred property taxes	-	347,715	347,715	-	347,715
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Deferred Inflows of Resources	<u>-</u>	<u>347,715</u>	<u>347,715</u>	<u>-</u>	<u>347,715</u>
FUND BALANCE					
Nonspendable:					
Prepays	242	-	242	(242)	-
Restricted:					
Emergencies	530	-	530	(530)	-
Debt service	-	372,675	372,675	(372,675)	-
Unassigned	3,103	-	3,103	(3,103)	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>3,875</u>	<u>372,675</u>	<u>376,550</u>	<u>(376,550)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 22,654</u>	<u>\$ 720,390</u>	<u>\$ 743,044</u>		
NET POSITION					
Restricted for:					
Emergencies				530	530
Debt service				372,675	372,675
Unrestricted				(4,691,915)	(4,691,915)
				<u> </u>	<u> </u>
Total Net Position (Deficit)				<u>\$ (4,318,710)</u>	<u>\$ (4,318,710)</u>

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

Waterfront Metropolitan District

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS

For the Year Ended December 31, 2016

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
EXPENDITURES					
Accounting and audit	\$ 3,724	\$ -	\$ 3,724	\$ -	\$ 3,724
Insurance	2,823	-	2,823	-	2,823
Legal	19,604	-	19,604	-	19,604
Directors' Fees	1,100	-	1,100	-	1,100
Miscellaneous expenses	189	12,637	12,826	-	12,826
Treasurer's fees	-	6,838	6,838	-	6,838
Bond principal	-	125,000	125,000	(125,000)	-
Bond interest expense	-	219,744	219,744	1,658	221,402
Paying agent fees	-	2,000	2,000	-	2,000
Amortization	-	-	-	5,806	5,806
	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,806</u>	<u>5,806</u>
 Total Expenditures	 <u>27,440</u>	 <u>366,219</u>	 <u>393,659</u>	 <u>(117,536)</u>	 <u>276,123</u>
 GENERAL REVENUES					
Property taxes	-	341,818	341,818	-	341,818
Specific ownership taxes	-	27,450	27,450	-	27,450
Development fees	24,931	-	24,931	-	24,931
Interest income	367	1,776	2,143	-	2,143
	<u>367</u>	<u>1,776</u>	<u>2,143</u>	<u>-</u>	<u>2,143</u>
 Total General Revenues	 <u>25,298</u>	 <u>371,044</u>	 <u>396,342</u>	 <u>-</u>	 <u>396,342</u>
 CHANGE IN FUND BALANCE	 (2,142)	 4,825	 2,683	 (2,683)	 -
 CHANGE IN NET POSITION				 120,219	 120,219
 FUND BALANCE/NET POSITION:					
BEGINNING OF YEAR	<u>6,017</u>	<u>367,850</u>	<u>373,867</u>	<u>(4,812,796)</u>	<u>(4,438,929)</u>
END OF YEAR	<u>\$ 3,875</u>	<u>\$ 372,675</u>	<u>\$ 376,550</u>	<u>\$ (4,695,260)</u>	<u>\$ (4,318,710)</u>

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

Waterfront 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 <u>(Unfavorable)</u>
REVENUES				
Development fees	\$ 20,000	\$ 28,100	\$ 24,931	\$ (3,169)
Interest income	<u>-</u>	<u>1,660</u>	<u>367</u>	<u>(1,293)</u>
 Total Revenues	 <u>20,000</u>	 <u>29,760</u>	 <u>25,298</u>	 <u>(4,462)</u>
 EXPENDITURES				
Accounting and audit	3,500	4,000	3,724	276
Insurance	3,000	4,160	2,823	1,337
Legal	12,000	20,000	19,604	396
Directors' Fees	1,000	1,100	1,100	-
Miscellaneous expenses	150	150	189	(39)
Emergency reserve	<u>590</u>	<u>590</u>	<u>-</u>	<u>590</u>
 Total Expenditures	 <u>20,240</u>	 <u>30,000</u>	 <u>27,440</u>	 <u>2,560</u>
 NET CHANGE IN FUND BALANCE	 (240)	 (240)	 (2,142)	 (1,902)
 FUND BALANCE - BEGINNING OF YEAR	 <u>240</u>	 <u>240</u>	 <u>6,017</u>	 <u>5,777</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,875</u>	<u>\$ 3,875</u>

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

Waterfront Metropolitan District

Notes to Financial Statements December 31, 2016

Note 1: Summary of Significant Accounting Policies

The accounting policies of the Waterfront Metropolitan District (the “District”), located in Larimer 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 in 2003 as a quasi-municipal organization established under the State of Colorado Special District Act. The District was established to provide sanitation, water, streets, traffic and safety controls, television relay and translator, transportation, parks and recreation, and other related improvements for the benefit of the taxpayers and service users within the District’s boundaries. The District’s primary revenues are property taxes. 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.

Waterfront Metropolitan District

Notes to Financial Statements December 31, 2016

The government-wide financial statements (i.e. the governmental funds balance sheet/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 not accounted for and reported in another fund.

Waterfront Metropolitan District

Notes to Financial Statements December 31, 2016

Debt Service Fund – The Debt Service Fund is used to account for all financial resources that are restricted, committed or assigned to expenditures for principal, interest and other debt related costs.

Budgetary Accounting

Budgets are adopted on a 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.

Subsequent to year end, the District amended its total appropriations in the General Fund from \$20,240 to \$30,000 due to higher operational costs. During the year the District amended its total appropriations in the Debt Service Fund from \$357,081 to \$366,580 due to higher costs associated with servicing the debt.

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.

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.

Waterfront Metropolitan District

Notes to Financial Statements December 31, 2016

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.

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 does not have any items that qualify for reporting under this category.

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.

Original Issue Discount and Prepaid Debt Insurance

Original issue discount and prepaid debt insurance from the Series 2007 Bonds are being amortized over the respective terms of the bonds using the straight line method. Accumulated amortization of bond insurance costs and original issue discount amounted to \$56,125 and \$20,184 respectively at December 31, 2016.

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.

Waterfront Metropolitan District

Notes to Financial Statements December 31, 2016

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:

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 at December 31, 2016 in the amount of \$242 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 \$530 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 \$372,675 is restricted for the payment of the debt service costs associated with the Limited Tax (Convertible to Unlimited) General Obligation Refunding and Improvement Bonds Series 2007 (see Note 3).

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.

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.

Waterfront Metropolitan District

Notes to Financial Statements
December 31, 2016

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.

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 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 amount 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 – Restricted	\$ <u>364,891</u>
Total	\$ <u>364,891</u>

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

Deposits with financial institutions	\$ 4,241
Investments – COLOTRUST	7,249
Investments - CSAFE	<u>353,401</u>
	\$ <u>364,891</u>

Waterfront 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 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.

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.

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

Two external investment pool that records its investments at fair value. The investments in COLOTRUST and CSafe are categorized as a Level 2 Investments.

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.

Waterfront Metropolitan District

Notes to Financial Statements December 31, 2016

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

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 The Trust operates 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 trust. Substantially all securities owned by the trust 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 \$7,249 invested in COLOTRUST.

CSAFE

The local government investment pool Colorado Surplus Asset Fund Trust (CSAFE), is rated AAAM by Standard and Poor's with a weighted average maturity of under 60 days a Level 2 investment under the fair value hierarchy. CSAFE is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust is similar to a money market fund, with each share valued at \$1.00. CSAFE may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain money market funds, and highest rated commercial paper. A designated custodial bank serves as custodian for CSAFE's portfolio pursuant to custodian agreements. The custodian acts as safekeeping agent for CSAFE's investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodians' internal records identify the investments owned by CSAFE. At December 31, 2016 the District had \$353,401 invested in CSAFE, being held by a trustee.

Custodial and Concentration of Credit Risk

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

Interest Rate Risk

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

Waterfront Metropolitan District

Notes to Financial Statements
December 31, 2016

Note 3: Long Term Debt

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

\$5,585,000 of Limited Tax (Convertible to Unlimited) General Obligation Refunding and Improvement Bonds Series 2007

On April 25, 2007, the District issued \$5,585,000 of Limited Tax (Convertible to Unlimited) General Obligation Refunding and Improvement Bonds Series 2007 at interest rates ranging from 4% to 4.8% and maturing on December 1, 2035. The Series 2007 Bonds are subject to mandatory sinking fund redemption requirements beginning December 1, 2009. Interest on the Bonds is payable semi-annually on June 1 and December 1 beginning June 1, 2007. Proceeds of the Bonds were used to advance refund all of the District's GO Bonds Series 2004, current refund all of the District's outstanding Series 2006 Bonds, fund the reserve fund and pay the costs of issuing the Series 2007 Bonds. The Series 2007 Bonds are to be paid from the Required Mill Levy and Specific Ownership Taxes. In 2015 the board adopted a budget for 2016 imposing the maximum mill levy for debt service. The revenue collected from this mill levy was not adequate to pay the required principal and interest on December 1, 2016, as a result a draw on the reserve fund was made in the amount of \$3,144. As of December 31, 2016 the Reserve fund is underfunded by approximately \$49,600 The District will continue to impose the maximum mill levy until the reserve fund is replenished.

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
General Obligation Bonds	\$ 4,955,000	\$ -	\$ 125,000	\$ 4,830,000	\$ 130,000
Bond Discount	(42,461)	-	(2,088)	(40,373)	-
	<u>\$ 4,912,539</u>	<u>\$ -</u>	<u>\$ 122,912</u>	<u>\$ 4,789,627</u>	<u>\$ 130,000</u>

The following is a summary of the annual long-term debt principal and interest requirements:

	Principal	Interest	Total
2017	\$ 130,000	\$ 214,588	\$ 344,588
2018	140,000	209,225	349,225
2019	145,000	203,065	348,065
2020	155,000	196,685	351,685
2021	165,000	189,865	354,865
2022-2026	1,000,000	830,910	1,830,910
2027-2031	1,330,000	590,675	1,920,675
2032-2035	1,765,000	243,308	2,008,308
	<u>\$ 4,830,000</u>	<u>\$ 2,678,321</u>	<u>\$ 7,508,321</u>

Waterfront Metropolitan District

Notes to Financial Statements
December 31, 2016

Defeasance of debt

As part of the issuance of the Series 2007 Bonds, the District defeased the G.O. Bonds Series 2004 by placing the proceeds of the Series 2007 Bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements.

Debt Authorization

In 2003, the electors of the District authorized the issuance of indebtedness of \$62,080,000 for improvements projects and refunding bonds. As of December 31, 2016, the District had remaining voted debt authorization of approximately \$56,513,937. The District has budgeted to issue additional debt in 2017. The District's service plan limits the amount of debt the District can issue to \$7,000,000.

Note 4: 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.

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.

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 Article X, Section 20 of the Colorado Constitution.

Waterfront Metropolitan District

Notes to Financial Statements
December 31, 2016

Note 5: 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 Colorado Special Districts Property and Liability Pool (the Pool) 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 official's 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 6: 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) Long-term liabilities such as bonds payable, accrued bond interest payable, are not due and payable in the current period and, therefore, are not in the funds; and
- 2) bond insurance costs are reported as deferred charges and amortized over the term of the related debt in the government-wide financial statements.

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 bond insurance costs as an expenditure, however, in the Statement of Activities, the bond issuance costs are amortized over the term of the related debt;
- 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 the repayment of long-term debt (bonds) as an expenditure, however, in the statement of activities the repayment of long-term is reported as a decrease in the long-term debt.

SUPPLEMENTAL INFORMATION

Waterfront 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 <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES				
Property taxes	341,873	341,873	\$ 341,818	\$ (55)
Specific ownership taxes	29,401	29,401	27,450	(1,951)
Interest income	<u>750</u>	<u>750</u>	<u>1,776</u>	<u>1,026</u>
 Total Revenues	 <u>372,024</u>	 <u>372,024</u>	 <u>371,044</u>	 <u>(980)</u>
 EXPENDITURES				
Bond interest	219,744	219,744	219,744	-
Paying agent fees	2,000	2,000	2,000	-
Bond Principal	125,000	125,000	125,000	-
Miscellaneous	3,500	13,000	12,637	363
Treasurer's fees	<u>6,837</u>	<u>6,836</u>	<u>6,838</u>	<u>(2)</u>
 Total Expenditures	 <u>357,081</u>	 <u>366,580</u>	 <u>366,219</u>	 <u>361</u>
 NET CHANGE IN FUND BALANCE	 14,943	 5,444	 4,825	 (619)
 FUND BALANCE - BEGINNING OF YEAR	 <u>363,563</u>	 <u>363,563</u>	 <u>367,850</u>	 <u>4,287</u>
FUND BALANCE - END OF YEAR	<u>\$ 378,506</u>	<u>\$ 369,007</u>	<u>\$ 372,675</u>	<u>\$ 3,668</u>

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