

AVIATION STATION METROPOLITAN DISTRICT NO. 5

City and County of Denver, Colorado

**FINANCIAL STATEMENTS
DECEMBER 31, 2016**

Table of Contents

	<u>Page</u>
INDEPENDENT AUDITOR’S REPORT	I
BASIC FINANCIAL STATEMENTS	
Government-wide financial statements	
Statement of Net Position	1
Statement of Activities	2
Fund Financial Statements	
Balance Sheet – Governmental Funds	3
Statement of Revenues, Expenditures and Changes In Fund Balances – Governmental Funds	4
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Government Funds to the Statement of Activities	5
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	6
Notes to Financial Statements	7
SUPPLEMENTAL INFORMATION	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Capital Projects Fund	17
OTHER INFORMATION	
Summary of Assessed Valuation, Mill Levy and Property Taxes Collected	18



SCHILLING & COMPANY, INC.

Certified Public Accountants

P.O. Box 631579
HIGHLANDS RANCH, CO 80163

PHONE: 720.348.1086
FAX: 720.348.2920

Independent Auditor's Report

Board of Directors
Aviation Station North Metropolitan District No. 5
City and County of Denver, Colorado

Report for the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Aviation Station North Metropolitan District No. 5 (District) as of and for the year ended December 31, 2016 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Aviation Station North Metropolitan District No. 5, as of December 31, 2016, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental Information

Management has omitted the management's discussion and analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements.

The supplemental information is 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 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.

The other information listed in the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

SCHILLING & COMPANY, INC.

Highlands Ranch, Colorado
November 23, 2020

BASIC FINANCIAL STATEMENTS

AVIATION STATION NORTH METROPOLITAN DISTRICT NO. 5
STATEMENT OF NET POSITION
December 31, 2016

	Governmental Activities
ASSETS	
Cash and investments - unrestricted	\$ 9,527
Prepaid expenses	2,731
Capital assets, not being depreciated	784,071
Total assets	796,329
 LIABILITIES AND NET POSITION	
LIABILITIES	
Accounts payable	3,775
Long-term debt due in more than one year:	
Developer advances	1,360,970
Accrued interest on developer advances	135,932
Total liabilities	1,500,677
 NET POSITION	
Unrestricted	(704,348)
Total net position	\$ (704,348)

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

AVIATION STATION NORTH METROPOLITAN DISTRICT NO. 5
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</u>	<u>Operating</u>	<u>Capital</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants and</u>	<u>Grants and</u>	<u>Changes in</u>
			<u>Contributions</u>	<u>Contributions</u>	<u>Net Position</u>
					<u>Governmental</u>
					<u>Activities</u>
Governmental Activities:					
General government	\$ 140,464	\$ -	\$ -	\$ -	\$ (140,464)
Interest and fiscal charges	99,064	-	-	-	(99,064)
Total governmental activities	<u>\$ 239,528</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(239,528)</u>
General revenues:					
Total general revenues					-
Change in net position					<u>(239,528)</u>
Net position - Beginning of year					<u>(464,820)</u>
Net position - End of year					<u>\$ (704,348)</u>

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

**AVIATION STATION NORTH METROPOLITAN DISTRICT NO. 5
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2016**

	General	Capital Projects	Total Governmental Funds
ASSETS			
Cash and investments - unrestricted	\$ 9,527	\$ -	\$ 9,527
Prepaid expenditures	2,731	-	2,731
TOTAL ASSETS	\$ 12,258	\$ -	\$ 12,258
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 1,565	\$ 2,210	\$ 3,775
Total liabilities	1,565	2,210	3,775
FUND BALANCES			
Nonspendable:			
Prepaid expenditures	2,731	-	2,731
Spendable:			
Unassigned	7,962	(2,210)	5,752
Total fund balances	10,693	(2,210)	8,483
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 12,258	\$ -	

Amounts reported for governmental activities in the Statement of Net Position are different because:

Long-term assets are not available to pay for current period expenditures and, therefore, are not reported in the funds:

Capital assets 784,071

Some liabilities, including bonds payable and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the Balance Sheet - Governmental Funds.

Developer advances (1,360,970)
Accrued interest on developer advances (135,932)
(1,496,902)

Net position of governmental activities \$ (704,348)

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

**AVIATION STATION NORTH METROPOLITAN DISTRICT NO. 5
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended December 31, 2016**

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
REVENUES			
Total revenues	\$ -	\$ -	\$ -
EXPENDITURES			
Current:			
Accounting	2,360	3,540	5,900
Audit	4,464	-	4,464
Legal	6,269	9,405	15,674
Election	854	-	854
Insurance/SDA Dues	3,040	-	3,040
Management	2,381	3,572	5,953
Denver review fee	3,000	-	3,000
Miscellaneous	1,579	-	1,579
Capital outlay:			
Intergovernmental Transfer to ASNMD No. 1	-	100,000	100,000
Total expenditures	<u>23,947</u>	<u>116,517</u>	<u>140,464</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(23,947)</u>	<u>(116,517)</u>	<u>(140,464)</u>
OTHER FINANCING SOURCES (USES)			
Developer advances	48,698	114,307	163,005
Total other financing sources (uses)	<u>48,698</u>	<u>114,307</u>	<u>163,005</u>
NET CHANGE IN FUND BALANCES	24,751	(2,210)	22,541
FUND BALANCES (DEFICITS) - BEGINNING OF YEAR (Restated)	<u>(14,058)</u>	<u>-</u>	<u>(14,058)</u>
FUND BALANCES (DEFICITS) - END OF YEAR	<u>\$ 10,693</u>	<u>\$ (2,210)</u>	<u>\$ 8,483</u>

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

**AVIATION STATION NORTH METROPOLITAN DISTRICT NO. 5
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**

A reconciliation reflecting the differences between the governmental funds net change in fund balances and change in net position reported for governmental activities in the Statement of Activities as follows:

Net change in fund balances - Total governmental funds	<u>\$</u>	<u>22,541</u>
<p>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.</p>		
Developer advances		(163,005)
Change in developer interest payable		<u>(99,064)</u>
		<u>(262,069)</u>
Change in net position - Governmental activities	<u>\$</u>	<u>(239,528)</u>

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

AVIATION STATION NORTH METROPOLITAN DISTRICT NO. 5
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended December 31, 2016

	Original and Final Budgeted Amounts	Actual	Variance with Final Budget - Positive (Negative)
REVENUES			
Total revenues	\$ -	\$ -	\$ -
EXPENDITURES			
Accounting	5,000	2,360	2,640
Audit	500	4,464	(3,964)
Director fees	400	-	400
Legal	10,000	6,269	3,731
Election	1,000	854	146
Insurance/SDA Dues	4,500	3,040	1,460
Statutory compliance	1,000	-	1,000
Management	15,000	2,381	12,619
Denver review fee	-	3,000	(3,000)
Miscellaneous	1,500	1,579	(79)
Payroll taxes	40	-	40
Emergency Reserves	1,545	-	1,545
Contingency	11,015	-	11,015
Total expenditures	<u>51,500</u>	<u>23,947</u>	<u>27,553</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(51,500)</u>	<u>(23,947)</u>	<u>27,553</u>
OTHER FINANCING SOURCES (USES)			
Developer advances	<u>50,000</u>	<u>48,698</u>	<u>(1,302)</u>
Total other financing sources (uses)	<u>50,000</u>	<u>48,698</u>	<u>(1,302)</u>
NET CHANGE IN FUND BALANCE	(1,500)	24,751	26,251
FUND BALANCE - BEGINNING OF YEAR	<u>1,500</u>	<u>(14,058)</u>	<u>(15,558)</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ 10,693</u>	<u>\$ 10,693</u>

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

AVIATION STATION NORTH METROPOLITAN DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1 – DEFINITION OF REPORTING ENTITY

Aviation Station North Metropolitan District No. 5 (the District) a quasi-municipal corporation and political subdivision of the State of Colorado, was organized on May 24, 2013 and is governed pursuant to the provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District's service area is located in the City and County of Denver, Colorado. The District was established to provide for the planning, design, acquisition, construction, installation, relocation, operation and maintenance, repair and replacement of public Improvements. The District was organized under a multiple district structure with Aviation Station North Metropolitan Districts No.'s 1 through 6. Through the execution of a Memorandum of Understanding (MOU) Aviation Station North Metropolitan District No. 1 (District No. 1) was designated as the coordinating district for financing, construction, design, operation, and maintenance of improvements to serve the Aviation Station North Districts. On July 27, 2015, the District and District No. 1 executed a Partial Termination of Memorandum of Understanding, whereby the District was released from further obligations and rights to services established under the MOU, with the exception of certain agreements related to Pena Station Improvements and related financing. The District has no employees and all operations and administrative functions are contracted.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The more significant accounting policies of the District are described as follows:

Government-wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

The statement of net position reports all financial and capital resources of the District, the difference between the assets and deferred outflows, and liabilities and deferred inflows of the District being 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

AVIATION STATION NORTH METROPOLITAN DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

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 related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Expenditures for capital assets are shown as increases in assets and redemption of bonds and notes are recorded as a reduction in liabilities.

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

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 *Capital Projects Fund* accounts for the financial resources to be used for the purchase, construction, operation, and maintenance of capital equipment and facilities

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgets

In accordance with the Local Government Budget Law of Colorado, the District's Board of Directors holds public hearings in the fall each year to adopt the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year

AVIATION STATION NORTH METROPOLITAN DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

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.

For the year ended December 31, 2016, supplementary appropriations approved by the District modified the appropriation from \$0 to \$115,570 in the Capital Projects Fund however, the District may be in violation of Local Government Budget Law of Colorado as actual expenditures exceeded budgeted expenditures.

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 funds' average equity balance in total cash. Investments are carried at fair value.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental activities column of the government-wide financial statements. Capital assets are defined by the District as those assets with a cost of \$5,000 or greater. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market 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 asset lives are not capitalized. Major outlays for capital assets and improvements for which the District retains title are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Interest incurred during the construction phase of capital assets is not included as part of the capitalized value of the assets constructed.

The District's capital assets as of December 31, 2016 consists of raw land therefore no depreciation expense has been computed.

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 certified by December 15 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 30 or, if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

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

**AVIATION STATION NORTH METROPOLITAN DISTRICT NO. 5
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2016**

Fund Equity

Fund balance for governmental funds are reported in the categories listed below to make the nature and extent of the constraints placed on a government's fund balances more transparent. 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 amount of fund balance that is not in spendable form (such as inventory or prepaids) or is legally or contractually required to be maintained intact.

Restricted fund balance—the amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance—amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., Board of Directors). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.

Assigned fund balance—amounts the District intends to use for a specific purpose. Intent can be expressed by the District Board of Directors or by an official or body to which the District Board of Directors delegates the authority.

Unassigned fund balance—amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the District Board of Directors has provided otherwise in its commitment or assignment actions.

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 - unrestricted	\$ 9,527
Total cash and investments	<u>\$ 9,527</u>

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

Cash Deposits

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

AVIATION STATION NORTH METROPOLITAN DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

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 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.

At December 31, 2016, the District's cash deposits with financial institutions had a bank balance of \$16,039 and carrying balance of \$9,527.

Investments

The District has not adopted a formal investment policy, however, the District follows state statutes regarding investments. Colorado State Statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

- . Obligations of the United States and certain U.S. government agency securities and securities of the World Bank
- . General obligation and revenue bonds of U.S. local government entities
- . 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

At December 31, 2016 the District had no investments.

NOTE 4 – CAPITAL ASSETS

An analysis of the changes in capital assets 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>
	<u>(Restated)</u>			
Capital assets, not being depreciated:				
Land	\$ 784,071	\$ -	\$ -	\$ 784,071
Total capital assets, not being depreciated	<u>784,071</u>	<u>-</u>	<u>-</u>	<u>784,071</u>
Total capital assets	<u>\$ 784,071</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 784,071</u>

**AVIATION STATION NORTH METROPOLITAN DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 5 – LONG-TERM OBLIGATIONS

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

	Balance December 31, 2015 (Restated)	Additions	Retirements	Balance December 31, 2016	Current Portion
Governmental Activities:					
Developer advances- operations	\$ 31,804	\$ 63,005	\$ -	\$ 94,809	\$ -
Developer advances-capital	1,166,161	100,000	-	1,266,161	-
Developer advances interest-operations	758	4,946	-	5,704	-
Developer advances interest-capital	36,110	94,118	-	130,228	-
	<u>\$ 1,234,833</u>	<u>\$ 262,069</u>	<u>\$ -</u>	<u>\$ 1,496,902</u>	<u>\$ -</u>

Funding and Reimbursement Agreement (Operations and Maintenance)

The District entered into the Funding and Reimbursement Agreement with Cowley Management, LLC (the Developer) on January 5, 2016. Under this agreement, the Developer agrees to advance the District amounts not to exceed \$50,000 per year for five years, up to a total amount of \$250,000. The advances are available to the District through December 31, 2020, or for subsequent years if the Developer agrees to renew this agreement on an annual basis. The District agrees to apply the funds to costs set forth in the District’s annual budget, and to annually budget as revenues the full advance amount available during the budget year. Amounts advanced under this agreement bear simple interest of 8%. The repayment of advances shall not extend beyond forty years from the date of the agreements. Upon the issuance of a Repayment Obligation, as requested by the Developer, the District will use ad valorem taxes, from a mill levy not to exceed 50 mills, to repay amounts advanced. Any unpaid interest unpaid at the time the Repayment Obligation is issued shall be added to principal and accrue interest to the date of repayment.

Subsequent to year end, in October 2020, the District approved the First Amendment to Funding and Reimbursement Agreement which extends the Obligation Termination Date to December 31, 2021 and increases the aggregate advance amount to \$300,000.

At December 31, 2016, the District had outstanding advances for operations and maintenance of \$94,809 in principal and \$5,704 of accrued interest.

Reimbursement Agreement (Phase I Improvements)

The District entered into the Reimbursement Agreement and the First Amendment to Reimbursement Agreement with Cowley Management, LLC (the Developer) on, and subsequent to, January 5, 2016. Under this agreement, the Developer agrees to loan the District \$4,086,232 for the purpose of acquiring land and paying the District’s share of Pena Station improvements. The provisions for repayment of the loan are subject to annual appropriations by the District. Amounts advanced under this agreement bear simple interest of 8%. Upon the issuance of a Repayment Obligation, as defined in the agreement and requested by the Developer, the District will use ad valorem taxes, from a mill levy not to exceed 50 mills, to repay amounts advanced.

AVIATION STATION NORTH METROPOLITAN DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

Any unpaid interest at the time the Repayment Obligation is issued shall be added to principal and accrue interest to the date of repayment.

Subsequent to year end, on November 9, 2020, the District approved the Amended and Restated First Amendment to Reimbursement Agreement which corrects the initial loan amount to \$1,166,161. The District also received an advance of \$100,000 in order to fulfill its obligation to District No. 1 under the Intergovernmental Agreement – Pena Station Improvements (NOTE 6).

At December 31, 2016, the District had outstanding advances under the agreement of \$1,266,161 in principal and \$130,228 of accrued interest.

Debt Authorization

At an election held in 2013, the voters of Aviation Station North Metropolitan District No.'s 1 through 6 authorized the issuance of general obligation debt. The Districts' Service Plan limits the maximum aggregate debt for all Districts combined to \$500,000,000. Pursuant to the Intergovernmental Agreement Regarding Debt Allocation, executed in August, 2015, the District is allocated \$30,819,736 for the following purposes, in the following amounts:

Pena Station Capital Pledge Agreement	\$17,000,000
Other financing purposes	\$13,819,736

NOTE 6 – AGREEMENTS

Intergovernmental Agreement – Pena Station Improvements

On August 3, 2015, the District entered into an agreement with District No. 1 whereby the District agrees that its initial allocation of costs associated with the total estimated construction costs of \$38,189,672 for Pena Station Improvements is \$721,858. The District agreed to fund an escrow account, via developer advances, for the full amount of its initial allocation of costs. This agreement further requires the District to fund its proportionate share (1.9%) of Pena Station Improvement cost increases in excess of \$100,000. The District fulfilled its obligation to fund the escrow account in 2015 and remitted the final \$100,000 in 2016.

Project Improvement Reimbursement Agreement – Custodial Agreement

On June 12, 2015, the District entered into a Joinder Agreement with District No. 1, Smith Metropolitan District No. 1, and Aviation Station North Metropolitan District No. 2 (Districts). The Joinder Agreement deems the District to be a party to the Custodial Agreement, a part of the Projects Improvements Reimbursement Agreement (PIRA) between District No. 1 and the City and County of Denver (the City). The PIRA contains various agreements and terms regarding the construction and financing of Pena Station Improvements. The Custodial Agreement establishes the Reimbursement Obligation Fund for purposes of repaying \$17,000,000 to the City for the Districts' share of Pena Station improvements. The District is committed to forward proceeds from the Capital Pledge Agreement (see below) to the Custodian (UMB Bank) until all obligations required by the PIRA are fulfilled.

**AVIATION STATION NORTH METROPOLITAN DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

Capital Pledge Agreement

On August 18, 2015, the District entered into the Capital Pledge Agreement with District No. 1 whereby the District agrees to implement the Aviation Station Mill Levy Ten on properties within the District (pledged revenues). Aviation Station Mill Levy Ten is an ad valorem mill levy of 10 mills, provided that the mill levy would not cause the District to derive tax revenue in any year in excess of the maximum tax increases permitted by the 2013 election. The District is required to remit the pledged revenues to the Custodian under the PIRA.

At December 31, 2016, the District's assessed valuation was \$30 therefore, 10.000 mills levied would result in minimal property taxes.

NOTE 7- FUND EQUITY

At December 31, 2016, the District reported the following classifications of fund equity.

Nonspendable Fund Balance

The nonspendable fund balance in the General Fund in the amount of \$2,731 and in the General Fund is comprised of prepaid amounts which are not in spendable form.

Deficit Fund Balance

The District reported a fund balance deficit of \$2,210 in the Capital Projects Fund. The District anticipates that developer advances will eliminate the deficit fund balance in 2017.

NOTE 8 - NET POSITION

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

Since the value of capital assets is totally offset by the related debt, the District has \$0 in net investment in capital assets at December 31, 2016.

Restricted assets include net position that is restricted for use either externally imposed by creditors, grantors, contributors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. At December 31, 2016 the District had no restricted net position.

The District had unrestricted net position of \$(704,348) as of December 31, 2016, due to the District's payments to District No. 1 for capital being funded with developer advances.

NOTE 9 – RELATED PARTIES

Certain members of the Board of Directors of the District are employees, owners or otherwise associated with the Developer and/or its affiliates and may have conflicts of interest with respect to certain transactions which come before the Board.

AVIATION STATION NORTH METROPOLITAN DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 10 – ECONOMIC DEPENDENCY

The District has not yet established a revenue base sufficient to pay the District's operational costs. Until an independent revenue base is established, continuation of operations in the District will be dependent upon funding by the Developer.

NOTE 11 – RISK MANAGEMENT

Except as provided in the Colorado Governmental Immunity Act, as amended from time to time, the District may be 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 and boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

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

NOTE 12 - TAX, SPENDING AND DEBT LIMITATIONS

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

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

At an election in 2013, voters in the District authorized the District to collect, retain and spend ad valorem tax increases without regard to limitations contained within Article X, Section 20 of the Colorado Constitution.

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.

AVIATION STATION NORTH METROPOLITAN DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 13 – RESTATEMENT

A retroactive adjustment of \$55,359 was applied to the December 31, 2015 net position to reflect the correct value of capital assets, long-term debt and developer advance revenue. The restatement also impacted the fund balance of the General Fund and Capital Projects Fund. The effect of the restatement is as follows:

	General Fund Fund Balance	Capital Projects Fund Fund Balance	Governmental Activities Net Position
December 31, 2015 Balances as Previously Reported	\$ 2,142	\$ 336,645	\$ (520,179)
To recognize developer advances when received	(16,200)	-	(16,200)
To reflect payment due from easement as a reduction of debt	-	(336,645)	(336,645)
To reflect value of land based on square footage per appraisal	-	-	(2,920,929)
To adjust long term debt to value of land contributed less easement	-	-	3,245,093
To adjust accrued interest on long-term debt for adjustment above	-	-	84,040
December 31, 2015 Balances, as Restated	<u>\$ (14,058)</u>	<u>\$ -</u>	<u>\$ (464,820)</u>

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

SUPPLEMENTAL INFORMATION

**AVIATION STATION NORTH METROPOLITAN DISTRICT NO. 5
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
Year Ended December 31, 2016**

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget - Positive (Negative)
REVENUES				
Total revenues	\$ -	\$ -	\$ -	\$ -
EXPENDITURES				
Current:				
Accounting	-	3,780	3,540	240
Legal	-	8,790	9,405	(615)
Management	-	3,000	3,572	(572)
Capital outlay:				
Intergovernmental Transfer to ASNMD No. 1	-	100,000	100,000	-
Total expenditures	-	115,570	116,517	(947)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	(115,570)	(116,517)	(947)
OTHER FINANCING SOURCES (USES)				
Developer advances	-	115,570	114,307	(1,263)
Total other financing sources (uses)	-	115,570	114,307	(1,263)
NET CHANGE IN FUND BALANCE	-	-	(2,210)	(2,210)
FUND BALANCE - BEGINNING OF YEAR	-	-	-	-
FUND BALANCE - END OF YEAR	\$ -	\$ -	\$ (2,210)	\$ (2,210)

OTHER INFORMATION

**AVIATION STATION NORTH METROPOLITAN DISTRICT NO. 5
SUMMARY OF ASSESSED VALUATION , MILL LEVY
AND PROPERTY TAXES COLLECTED
TOTAL DISTRICT
Year Ended December 31, 2016**

<u>Year Ended December 31,</u>	<u>Prior Year Assessed Valuation for Current Year Property Tax Levy</u>	<u>Mills Levied</u>			<u>Property Taxes</u>		<u>Percentage Collected to Levied</u>
		<u>General</u>	<u>Debt Service</u>	<u>Total</u>	<u>Levied</u>	<u>Collected</u>	
2016	\$ 30	0.000	10.000	10.000	\$ -	\$ -	N/A
Estimated for year ending December 31, 2017	\$ 30	0.000	10.000	10.000	\$ -		

NOTE: Property taxes collected in any one year include collection of delinquent property taxes levied in prior years. Information received from the County Treasurer does not permit identification of specific year of levy.