

**COLORADO SCIENCE AND TECHNOLOGY PARK
METROPOLITAN DISTRICT NO. 1
Adams County, Colorado**

**FINANCIAL STATEMENTS
DECEMBER 31, 2016**



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Table of Contents

	<u>Page</u>
INDEPENDENT AUDITOR’S REPORT	I
MANAGEMENT’S DISCUSSION AND ANALYSIS	III
BASIC FINANCIAL STATEMENTS	
Government-wide financial statements	
Statement of Net Position – Governmental Activities	1
Statement of Activities – Governmental Activities	2
Fund Financial Statements	
Balance Sheet – Governmental Funds	3
Statement of Revenues, Expenditures and Changes In Fund Balances – Governmental Funds	4
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	5
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 - Debt Service Fund	22
OTHER INFORMATION	
Schedule of Debt Service Requirements to Maturity	23



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
Colorado Science and Technology Park
Metropolitan District No. 1
Adams County, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of Colorado Science and Technology Park Metropolitan District No. 1 (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 Colorado Science

and Technology Park Metropolitan District No. 1, 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

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis on pages III through VII be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other

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
August 31, 2017

**COLORADO SCIENCE AND TECHNOLOGY PARK
METROPOLITAN DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2016**

Our discussion and analysis of Colorado Science and Technology Park Metropolitan District No. 1's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2016. Please read it in conjunction with the District's basic financial statements which begin on page 1.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains required supplemental information and supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements: The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all the District's assets, liabilities and deferred inflows of resources, with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (i.e. uncollected taxes).

The government-wide financial statements detail functions of the District that are principally supported by tax revenues (governmental activities).

The government-wide financial statements can be found on pages 1 and 2 of this report.

Fund financial statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District reports governmental funds.

Governmental funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The governmental fund financial statements can be found on pages 3 through 5 of this report.

The District adopted an annual appropriated budget for the General Fund. A budgetary comparison statement for the General Fund is located on page 6 of this report.

Notes to the Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 7-21 of this report.

Other Information: In addition to the basic financial statements and accompanying notes, this report also presents supplementary information consisting of the schedules of revenues, expenditures and changes in fund balance – budget to actual – Debt Service Fund which can be found on page 22. The schedule of debt service requirements to maturity is presented as other information which can be found on page 23 of this report.

NET POSITION

	December 31,	
	2016	2015
ASSETS		
Current assets	\$ 1,864,364	\$ 1,024,691
Total assets	1,864,364	1,024,691
LIABILITIES		
Current liabilities	215,713	221,435
Long-term liabilities	19,818,195	19,293,712
Total liabilities	20,033,908	19,515,147
DEFERRED INFLOWS OF RESOURCES	660,000	634,750
NET POSITION		
Restricted	1,004,502	274,233
Unrestricted	(19,834,046)	(19,399,439)
Total net position	\$ (18,829,544)	\$ (19,125,206)

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities and deferred inflows of resources exceeded assets by \$18,829,544 at the close of the most recent fiscal year.

From 2015 to 2016, the District's current assets increased by \$839,673 due to an increase in restricted cash and investments held by the District of \$165,857. This is a result of net income earned in the Debt Service Fund from increased incremental sales tax and property taxes collected. Long-term liabilities had a net increase of \$524,483 primarily due to developer advances of \$264,989 recorded in 2016 and interest of \$774,494 accrued on the developer advances offset by principal payments on the 2015 loan of \$505,000.

CHANGES IN NET POSITION

	Years Ended December 31,	
	2016	2015
REVENUES		
Capital grants and contributions	\$ -	\$ -
General revenues:		
Property taxes	-	6
Specific ownership taxes	4	15
Incremental sales/use tax	227,191	58,772
Incremental property tax	1,377,083	482,824
Build America note interest subsidy	-	108,226
Net investment income	2,022	90
Transfers from other districts	119,645	12,912
Total revenues	1,725,945	662,845
Special items:		
Forgiveness of long-term debt and accrued interest	-	3,566,016
Total special items	-	3,566,016
EXPENSES		
General government	341,291	122,265
Interest and related costs on long-term obligations	1,088,992	1,802,642
Total operating and debt service	1,430,283	1,924,907
CHANGE IN NET POSITION	295,662	2,303,954
NET POSITION - BEGINNING OF YEAR	(19,125,206)	(21,429,160)
NET POSITION - END OF YEAR	\$ (18,829,544)	\$ (19,125,206)

The District's overall financial position, as measured by net position, increased \$295,662 during 2016. This increase can be attributed primarily to increase in total revenues of \$1,063,100 and a decrease in interest expense and related costs of \$713,650 offset by an increase in general government expenses of \$219,026 or 179.1% and a decrease in forgiveness of long-term debt of \$3,566,016.

Financial Analysis of the District's Funds

As mentioned previously, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A discussion of the District's governmental funds follows.

Governmental funds: The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balance of \$1,200,559. Of this fund balance, \$1,026,410 is restricted, meaning it is not available for new spending, because it has already been committed for emergencies under Taxpayers' Bill of Rights (TABOR) and debt service. \$7,022 of the fund balance is nonspendable for prepaid expenses and \$22,838 is assigned for subsequent year's expenditures.

General Fund Budgetary Highlights

Budget Variances. The budget to actual comparison details for the General Fund can be seen on page 6 of the financial statements. The District amended the budget of the General Fund to account for operating expenses paid by the developer on behalf of the District.

Debt Administration

Long-Term Obligations. At the end of the current fiscal year, the District had total outstanding general obligation bonds and developer advances of \$19,044,989 and accrued interest on developer advances of \$963,206. The analysis of changes in bonds payable is as follows:

LONG-TERM OBLIGATIONS

	<u>2015</u>	<u>Change</u>	<u>2016</u>
General obligation notes/loans	\$ 5,285,000	\$ (505,000)	\$ 4,780,000
Developer advances	14,188,712	1,039,483	15,228,195
	<u>\$ 19,473,712</u>	<u>\$ 534,483</u>	<u>\$ 20,008,195</u>

During 2016, the District prepaid principal of \$325,000 on the Series 2015 Loan in addition to the scheduled interest payments on the loan.

Additional information on the District's long-term obligations can be found in Note 4 of this report.

Economic Factors and Next Year's Budgets and Rates

The District has budgeted \$77,162 of total revenue consisting of a transfer from the Debt Service Fund in the amount of \$75,000 along with a small amount of incremental property taxes to pay for \$100,000 in operating expenditures.

Request for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Colorado Science and Technology Park Metropolitan District No. 1 c/o Mulhern MRE, Inc, 188 Inverness Drive West #150, Englewood, CO 80112.

BASIC FINANCIAL STATEMENTS

COLORADO SCIENCE AND TECHNOLOGY PARK METROPOLITAN DISTRICT NO. 1
STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
December 31, 2016

ASSETS

Cash and investments - unrestricted	\$	171,500
Cash and investments - restricted		278,747
Cash with County Treasurer		747,095
Prepaid expense		7,022
Incremental property tax receivable		660,000
Total assets		1,864,364

LIABILITIES

Accounts payable		3,805
Accrued interest payable		21,908
Loan and advances payable:		
Due within one year		190,000
Due in more than one year		19,818,195
Total liabilities		20,033,908

DEFERRED INFLOWS OF RESOURCES

Incremental property tax revenue		660,000
Total deferred inflows of resources		660,000

NET POSITION

Restricted for emergencies		700
Restricted for debt service		1,003,802
Unrestricted		(19,834,046)
Total net position		\$ (18,829,544)

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

COLORADO SCIENCE AND TECHNOLOGY PARK METROPOLITAN DISTRICT NO. 1
STATEMENT OF ACTIVITIES
GOVERNMENTAL ACTIVITIES
Year Ended December 31, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
General government	\$ 341,291	\$ -	\$ -	\$ -	\$ (341,291)
Interest and fiscal charges	1,088,992	-	-	-	(1,088,992)
	<u>\$ 1,430,283</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(1,430,283)</u>
General revenues:					
					4
					227,191
					1,377,083
					119,641
					4
					2,022
					<u>1,725,945</u>
					295,662
					<u>(19,125,206)</u>
					<u>\$ (18,829,544)</u>

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

COLORADO SCIENCE AND TECHNOLOGY PARK METROPOLITAN DISTRICT NO. 1
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2016

	General	Debt Service	Total Governmental Funds
ASSETS			
Cash and investments - unrestricted	\$ 171,500	\$ -	\$ 171,500
Cash and investments - restricted	-	278,747	278,747
Cash with County Treasurer	132	746,963	747,095
Prepaid expense	7,022	-	7,022
Property tax increment receivable	-	660,000	660,000
TOTAL ASSETS	\$ 178,654	\$ 1,685,710	\$ 1,864,364
LIABILITIES			
Accounts payable	\$ 3,805	\$ -	\$ 3,805
Total liabilities	3,805	-	3,805
DEFERRED INFLOWS OF RESOURCES			
Property tax increment revenue	-	660,000	660,000
Total deferred inflows of resources	-	660,000	660,000
FUND BALANCES			
Nonspendable for prepaid expenses	7,022	-	7,022
Restricted for emergencies	700	-	700
Restricted for debt service	-	1,025,710	1,025,710
Assigned for subsequent year's expenditures	22,838	-	22,838
Restricted for capital projects	-	-	-
Unassigned	144,289	-	144,289
Total fund balances	174,849	1,025,710	1,200,559
TOTAL LIABILITIES AND FUND BALANCES			
BALANCES	\$ 178,654	\$ 1,685,710	

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

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.

Loan payable	(4,780,000)
Developer advances - Fitzsimons Redevelopment Authority	(14,264,989)
Accrued interest payable - loan	(21,908)
Accrued interest payable - developer advances	(963,206)
	(20,030,103)
Net position of governmental activities	\$ (18,829,544)

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

COLORADO SCIENCE AND TECHNOLOGY PARK METROPOLITAN DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended December 31, 2016

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
REVENUES			
Specific ownership taxes	\$ -	\$ 4	\$ 4
Incremental sales/use tax - AURA	-	227,191	227,191
Incremental property tax - AURA	-	1,377,083	1,377,083
Transfer from Colorado Science and Technology Metropolitan District No. 2	21,778	97,863	119,641
Transfer from Colorado Science and Technology Metropolitan District No. 3	-	4	4
Net investment income	-	2,022	2,022
Total revenues	<u>21,778</u>	<u>1,704,167</u>	<u>1,725,945</u>
EXPENDITURES			
Current			
Accounting	10,098	-	10,098
Audit	4,700	-	4,700
Legal	55,198	-	55,198
Insurance and bonds	8,750	-	8,750
District management	27,401	-	27,401
Street light maintenance/utilities	6,648	-	6,648
Miscellaneous	4,472	-	4,472
Planning and development	-	224,024	224,024
Debt service			
Stapleton Land loan principal	-	505,000	505,000
Stapleton Land loan interest	-	292,590	292,590
Total expenditures	<u>117,267</u>	<u>1,021,614</u>	<u>1,138,881</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	<u>(95,489)</u>	<u>682,553</u>	<u>587,064</u>
OTHER FINANCING SOURCES (USES)			
Developer advances	40,965	224,024	264,989
Transfers from other funds	155,000	-	155,000
Transfers to other funds	-	(155,000)	(155,000)
Total other financing sources (uses)	<u>195,965</u>	<u>69,024</u>	<u>264,989</u>
NET CHANGE IN FUND BALANCES	100,476	751,577	852,053
FUND BALANCES - BEGINNING OF YEAR	74,373	274,133	348,506
FUND BALANCES - END OF YEAR	<u>\$ 174,849</u>	<u>\$ 1,025,710</u>	<u>\$ 1,200,559</u>

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

**COLORADO SCIENCE AND TECHNOLOGY PARK METROPOLITAN DISTRICT NO. 1
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>\$ 852,053</u>
<p>Long-term debt (e.g. bonds, developer advances) provide 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 premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. These amounts represent these differences in the treatment of long-term debt and related items.</p>	
Developer advances	(264,989)
Loan principal payments	<u>505,000</u>
	<u>240,011</u>
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>	
Change in accrued interest payable - loan	(21,908)
Change in accrued interest payable - developer advances	<u>(774,494)</u>
	<u>(796,402)</u>
Change in net position - Governmental activities	<u><u>\$ 295,662</u></u>

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

COLORADO SCIENCE AND TECHNOLOGY PARK METROPOLITAN DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended December 31, 2016

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget - Positive (Negative)
REVENUES				
Incremental property tax - AURA CSTP Districts	\$ 8,950	\$ -	\$ -	\$ -
Transfer from Colorado Science and Technology Metropolitan District No. 2	1,802	21,778	21,778	-
Total Revenues	<u>10,752</u>	<u>21,778</u>	<u>21,778</u>	<u>-</u>
EXPENDITURES				
Accounting	20,000	10,098	10,098	-
Audit	5,000	4,700	4,700	-
Legal	20,000	55,198	55,198	-
Insurance and bonds	8,000	8,750	8,750	-
District management	20,000	27,401	27,401	-
Street light maintenance/utilities	5,500	6,648	6,648	-
Miscellaneous	3,900	4,472	4,472	-
Contingency	12,600	-	-	-
Total Expenditures	<u>95,000</u>	<u>117,267</u>	<u>117,267</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(84,248)</u>	<u>(95,489)</u>	<u>(95,489)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Developer advances	84,248	40,965	40,965	-
Transfers in		155,000	155,000	-
Total other financing sources (uses)	<u>84,248</u>	<u>195,965</u>	<u>195,965</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	-	100,476	100,476	-
FUND BALANCE - BEGINNING OF YEAR	-	74,373	74,373	-
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ 174,849</u>	<u>\$ 174,849</u>	<u>\$ -</u>

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

**COLORADO SCIENCE AND TECHNOLOGY PARK
METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 1 – DEFINITION OF REPORTING ENTITY

Colorado Science and Technology Park Metropolitan District No. 1 (District), a quasi-municipal corporation and political subdivision of the State of Colorado, was organized by order and decree of the District Court for the County of Adams on November 30, 2007, concurrently with two other districts, Colorado Science and Technology Park Metropolitan Districts No. 2 and 3, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District operates under a Service Plan approved by the City of Aurora (City) on July 16, 2007. The District's service area is located in the City of Aurora in Adams County, Colorado. The District was established to provide construction and installation of public improvements, including water, sanitary sewer, streets, parks and recreation, transportation, traffic and safety, mosquito control, television relay and translation, security and upon an intergovernmental agreement with the City, fire protection.

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 assets and deferred outflows of resources, and liabilities and deferred inflows of resources of the District is reported as net position.

**COLORADO SCIENCE AND TECHNOLOGY PARK
METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

**COLORADO SCIENCE AND TECHNOLOGY PARK
METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

Supplementary appropriations were approved by the District's Board of Directors in the General Fund and the Debt Service Fund.

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.

Incremental Property Tax

The District receives incremental property tax revenue from the Aurora Urban Renewal Authority for the project area. Incremental property tax revenues are considered to be the excess of an amount equal to the ad valorem property taxes produced by the levy at rates fixed for such year by or for the governing bodies of the various taxing jurisdictions within or overlapping the project area upon a valuation for assessment equal to the property tax base amount. The property tax base amount is certified by the County Assessor as the valuation for assessment of all taxable property within the project area last certified by the county Assessor prior to the adoption of the plan. The base amount may be proportionately adjusted for general reassessments in accordance with Colorado law.

Property taxes are levied by various taxing entities within the project area by certification to the County Commissioners. 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. 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 and December. The Aurora Urban Renewal Authority remits the incremental taxes collected to the District.

**COLORADO SCIENCE AND TECHNOLOGY PARK
METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Incremental Sales and Use Tax

The District receives incremental sales and use tax revenue from the project area which is received by the Authority from the City's general sales tax of 3.5% in excess of the sales tax base. 85% of the incremental sales and use tax for each 12 month period following the base year shall be credited to the tax allocation account excluding a 0.25% dedicated tax.

Deferred Inflows/Outflows of Resources

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 or fund balance 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 only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. Deferred inflows of resources reported in the governmental funds for unavailable revenues are property taxes levied for the ensuing year.

Debt Issue Costs and Original Issue Discount/Premium

In the government-wide financial statements, debt premiums and discounts are deferred and amortized over the life of the debt using the effective interest method, with the unamortized amount included as a component of the debt. Debt issuance costs are treated as a period cost and expensed in the year incurred.

In the fund financial statements, governmental fund types recognize debt premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Balances – Governmental Funds

The District's governmental fund balances may consist of five classifications based on 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

**COLORADO SCIENCE AND TECHNOLOGY PARK
METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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:

Cash and investments - Unrestricted	\$ 171,500
Cash and investments - Restricted	<u>278,747</u>
	<u><u>\$ 450,247</u></u>

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

Deposits with financial institutions	\$ 190,203
Investments	<u>260,044</u>
	<u><u>\$ 450,247</u></u>

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 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

**COLORADO SCIENCE AND TECHNOLOGY PARK
METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

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 had a bank balance and carrying balance of \$190,203.

Investments

The District's formal investment policy is to follow Colorado State Statutes which 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 the World Bank
- . General obligation and revenue bonds of U.S. local government entities
- . Bankers' acceptances of certain banks
- . Commercial paper
- . Certain reverse repurchase agreements
- . Certain securities lending agreements
- . Certain corporate bonds
- . Written 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 the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted average under 60 days	<u>\$ 260,044</u>

COLOTRUST

At December 31, 2016, the District has invested in the Colorado Local Government Liquid Asset Trust (the Trust), an investment vehicle 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 Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements

**COLORADO SCIENCE AND TECHNOLOGY PARK
METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

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 agreement collateralized by certain obligations of the U.S. government agencies. COLOTRUST is rated AAAm by Standard and Poor's.

Investment Valuation

The District has certain investments which are measured at fair value on a recurring basis are categorized within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure an asset's fair value: 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 fair value measurements of the District's investments are as follows at December 31, 2016:

<u>Investments</u>	<u>Fair Value</u>	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>
COLOTRUST	<u>\$ 260,044</u>	<u>\$ -</u>	<u>\$ 260,044</u>	<u>\$ -</u>

Restricted Cash and Investments

At December 31, 2016, cash and investments in the amount of \$278,747 are held in trust and are restricted for debt service in accordance with the Series 2015 Loan documents (Note 4).

**COLORADO SCIENCE AND TECHNOLOGY PARK
METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 4 – LONG-TERM OBLIGATIONS

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

	<u>Balance at December 31, 2015</u>	<u>New Issues</u>	<u>Retirements</u>	<u>Balance at December 31, 2016</u>	<u>Due Within One Year</u>
<u>General Obligation notes payable:</u>					
Series 2015 Loan	\$ 5,285,000	\$ -	\$ 505,000	\$ 4,780,000	\$ 190,000
<u>Developer Advances payable:</u>					
Fitzsimons Redevelopment Authority:					
Principal	14,000,000	264,989	-	14,264,989	-
Accrued interest	188,712	774,494	-	963,206	-
	<u>\$ 19,473,712</u>	<u>\$ 1,039,483</u>	<u>\$ 505,000</u>	<u>\$ 20,008,195</u>	<u>\$ 190,000</u>

\$5,585,000 Loan with Stapleton Land, LLC, Series 2015

On September 30, 2015, the District entered into the 2015 Loan Agreement (2015 Loan) with Stapleton Land, LLC with an interest rate of 5.50% payable on June 1 and December 1, commencing on December 1, 2015. The 2015 Loan matures on September 30, 2020 with mandatory principal payments due on December 1, commencing on December 1, 2015. The 2015 Loan is payable from pledged revenue as defined in the Public Finance and Redevelopment Agreement (PFRA) (as assigned to Fitzsimons Redevelopment Authority) dated August 25, 2008, which includes the debt service mill levy revenues pledged by Colorado Science and Technology Park Metropolitan Districts Nos. 2 and 3 pursuant to the Amended and Restated Capital Pledge Agreement.

Prior to any amendment to the PFRA, the District is required to levy 50.000 mills. After the PFRA amendment, the District is to levy a mill sufficient, when combined with the other pledged revenues anticipated to be received in the following calendar year, to pay debt service on the 2015 Loan provided, further however, that in no event may the mill levy excess 50.000 mills.

In connection with the 2015 Loan, the District is required to maintain a reserve of \$250,000. At December 31, 2016, the District was in compliance with this requirement.

**COLORADO SCIENCE AND TECHNOLOGY PARK
METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 4 – LONG-TERM OBLIGATIONS (CONTINUED)

The District’s long-term obligations will mature as follows.

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 190,000	\$ 262,900	\$ 452,900
2018	200,000	252,450	452,450
2019	215,000	241,450	456,450
2020	4,175,000	229,625	4,404,625
	<u>\$ 4,780,000</u>	<u>\$ 986,425</u>	<u>\$ 5,766,425</u>

Developer Advances

Amended and Restated Capital Pledge Agreement

On December 1, 2010, the District entered into the Capital Pledge Agreement with Colorado Science and Technology Park Metropolitan Districts No. 2 and 3 (the Taxing Districts). Pursuant to this Agreement, each Taxing District agreed to annually impose a mill levy at a rate of 50.000 mills subject to certain adjustments, and pledged the revenue from such mill levy together with Taxing District specific ownership tax revenues, to the District for repayment of the Series 2010A and Series 2010B Notes and any additional debt issued by the District until all such obligations are repaid.

On September 30, 2015, the District entered into the Amended and Restated Capital Pledge Agreement with Colorado Science and Technology Park Metropolitan Districts No. 2 and 3 (the Taxing Districts). This Amended and Restated Capital Pledge Agreement amends and restates in its entirety the Capital Pledge Agreement dated as of December 1, 2010 by and among the Districts. Pursuant to this Agreement, prior to any amendment to the PFRA, the Taxing Districts are required to levy 50.000 mills. After the PFRA amendment, the Taxing Districts are to levy mills sufficient, when combined with the other pledged revenues anticipated to be received in the following calendar year, to pay debt service on the 2015 Loan provided, further however, that in no event may the mill levy exceed 50.000 mills. The required mill levy revenues include the portion of the specific ownership tax revenues attributable to the required mill levy, net of any collection fees withheld by the County Treasurer.

2015 Operation and Capital Funding Agreement

On September 30, 2015, the District entered into the 2016 Operation and Capital Funding Agreement with Fitzsimons Redevelopment Authority (FRA). Pursuant to this agreement FRA advanced \$14,000,000 in connection with the Termination Agreement which, the District shall repay the Series 2010A and Series 2010B Notes. In addition to the \$14,000,000 advance, FRA agrees to advance funds to the District for any 2016 operation shortfalls.

**COLORADO SCIENCE AND TECHNOLOGY PARK
METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 4 – LONG-TERM OBLIGATIONS (CONTINUED)

Repayment is subject to funds available from the imposition of its taxes, fees, rates, tolls, penalties and charges and from any other revenue legally available after the payment of its annual debt service obligations and annual operations and maintenance expenses, which repayment is subject to annual budget and appropriation. The advances bear interest at the rate of 200 basis points above the published Wall Street Journal prime rate, to be adjusted weekly. Any obligation of the District to reimburse the FRA made pursuant to this agreement shall expire on December 31, 2055.

At December 31, 2016, the District had unpaid developer advances of \$15,228,195 which includes \$14,264,989 of principal and \$963,206 of interest.

NOTE 5 – DEBT AUTHORIZATION

On November 6, 2007, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$750,000,000 at an interest rate not to exceed 18% per annum. On May 6, 2015, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$750,000,000 at an interest rate not to exceed 18% per annum. At December 31, 2016, the District had authorized but unissued indebtedness in the following amounts allocation for the following purposes:

	Authorized November 6, 2007 Election	Authorized May 6, 2014 Election	Authorization Used	Remaining at December 31, 2016
Streets	\$ 750,000,000	\$ 750,000,000	\$ 5,437,684	\$ 1,494,562,316
Traffic and safety	\$ 750,000,000	\$ 750,000,000	-	\$ 1,500,000,000
Water	\$ 750,000,000	\$ 750,000,000	2,746,565	\$ 1,497,253,435
Sanitary sewer	\$ 750,000,000	\$ 750,000,000	9,131,607	\$ 1,490,868,393
Parks and recreation	\$ 750,000,000	\$ 750,000,000	-	\$ 1,500,000,000
Public transportation	\$ 750,000,000	\$ 750,000,000	-	\$ 1,500,000,000
Mosquito control	\$ 750,000,000	\$ 750,000,000	-	\$ 1,500,000,000
Fire Protection	\$ 750,000,000	\$ 750,000,000	-	\$ 1,500,000,000
Operations & maintenance	\$ 750,000,000	\$ 750,000,000	-	\$ 1,500,000,000
Intergovernmental agreements/contracts	\$ 750,000,000	\$ 750,000,000	-	\$ 1,500,000,000
Refunding	\$ 750,000,000	\$ 750,000,000	-	\$ 1,500,000,000
Television relay and translation	\$ 750,000,000	\$ 750,000,000	-	\$ 1,500,000,000
Security	\$ -	\$ 750,000,000	-	\$ 750,000,000

Pursuant to their Service Plans, the District, together with Colorado Science and Technology Metropolitan District Nos. 2 and 3, are permitted to issue aggregate indebtedness of up to \$750,000,000.

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, the amount and timing of any debt issuances is not determinable.

**COLORADO SCIENCE AND TECHNOLOGY PARK
METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 6 – AGREEMENTS

Facilities Funding, Construction and Operation Intergovernmental Agreement

On December 3, 2007, District No. 1 entered into a Facilities Funding, Construction and Operations Agreement with Colorado Science and Technology Park Districts No. 2 and No. 3. Pursuant to the agreement, District No. 1 is the Operating District and is responsible for managing the financing, construction, operations and maintenance of the project for the benefit of the Districts. District No. 2 and District No. 3 are the Taxing Districts and are responsible for funding the costs of the infrastructure improvements and funding the costs of services provided by District No. 1.

Public Finance and Redevelopment Agreement

On August 25, 2008, the District entered into an agreement with the Aurora Urban Renewal Authority (the Authority) and Fitzsimons Developer, LLC. The Developer has agreed to develop the Project in a manner consistent with the CSTP Master Plan. The District has agreed to construct and install the Public Improvements. The Authority has pledged portions of incremental tax revenues received by the Authority to the District, including 100% of incremental tax revenues derived from the levy of property tax by Colorado Science and Technology Park Metropolitan District Nos. 1-3 and portions of incremental tax revenues derived from property taxes levied by other taxing jurisdictions on property within the Districts, as well as City of Aurora sales, use and lodger taxes (collectively, the Pledged Revenues). The agreement terminates on December 31, 2058. On September 30, 2016, the agreement was assigned from Fitzsimons Developer, LLC to Fitzsimons Redevelopment Authority. See Assignment and Assumption Agreement below.

Project Management Services Agreement

On July 3, 2008, the District entered into an agreement with Fitzsimons Developer, LLC (Project Manager). Under the agreement, the Project Manager agrees to coordinate the Process of Construction of the Public Improvements and related management and administrative tasks. As compensation for providing this service, the Project Manager will be paid 4.5% of all costs of the process of construction. On September 30, 2016, the agreement was assigned from Fitzsimons Developer, LLC to Fitzsimons Redevelopment Authority. See Assignment and Assumption Agreement below.

Bioscience 2 Agreement

On January 31, 2013, the District entered into the Bioscience 2 Agreement with Fitzsimons Redevelopment Authority (FRA) and Fitzsimons Developer, LLC. Under this agreement, with the consent of the owners of the Series 2010A and 2010B Notes, the District consented to FRA's sale of a parcel of property to the University of Colorado (CU), which is a tax-exempt entity. The District agreed that neither the FRA nor CU is required to make payments-in-lieu of taxes (PILOTs) otherwise required under the Public Finance and Redevelopment Agreement so long as the subject parcel (CU Parcel) is owned by FRA or CU, including any affiliated entities of the FRA or CU. Consideration

**COLORADO SCIENCE AND TECHNOLOGY PARK
METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 6 – AGREEMENTS (CONTINUED)

of such agreement includes the obligation of CU to finance construction of public improvements necessary to develop the CU Parcel and CU's recording of a Declaration of Use Restrictions and Covenants against the CU Parcel, which requires any subsequent tax-exempt owner of the CU Parcel to pay PILOTs. On September 30, 2016, the agreement was assigned from Fitzsimons Developer, LLC to Fitzsimons Redevelopment Authority. See Assignment and Assumption Agreement below.

Assignment and Assumption Agreement

On September 30, 2015, Colorado Science and Technology Park Metropolitan District Nos. 1-3 (Districts), Fitzsimons Developer, LLC (Developer) and the Fitzsimons Redevelopment Authority (FRA) entered into the Assignment and Assumption Agreement. Under this agreement, the Developer assigned, transferred and conveyed to FRA all of its rights, title and interest in various District agreements. Including the Public Finance and Redevelopment Agreement, the Project Management Services Agreement and the Bioscience 2 Agreement.

NOTE 7 - FUND EQUITY

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

Non-spendable Fund Balance

The nonspendable fund balance in the General Fund in the amount of \$7,022 is comprised of prepaid amounts which are not in spendable form.

Restricted Fund Balance

The restricted fund balance in the General Fund in the amount of \$700 is comprised of the Emergency Reserves that have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado (see Note 12). The restricted fund balance in the Debt Service Fund in the amount of \$1,025,710 is to be used exclusively for debt service requirements (see Note 4).

Assigned Fund Balance

The assigned fund balance in the General Fund of \$22,838 represents the amount appropriated for use in the budget for the year ending December 31, 2017.

NOTE 8 - NET POSITION

The District's net position consists of two components – restricted and unrestricted.

Restricted net position includes amounts 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.

**COLORADO SCIENCE AND TECHNOLOGY PARK
METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 8 - NET POSITION (CONTINUED)

The District's restricted net position as of December 31, 2016 is as follows:

Restricted net position:

Emergency reserves (see Note 12)	\$ 700
Debt Service	<u>1,003,802</u>
	<u><u>\$ 1,004,502</u></u>

The District's unrestricted net position at December 31, 2016 totaled \$(19,989,046). This deficit amount was a result of the District being responsible for repayment of debt issued for public improvements conveyed to other governmental entities.

NOTE 9 – RELATED PARTY

The Developer of the property which constitutes the District is Fitzsimons Developer, LLC. During 2016, Fitzsimons Redevelopment Authority (FRA) replaced Fitzsimons Developer, LLC as the developer of the property within the District. The majority of the Board of Directors are employees of, owners of or otherwise associated with the FRA, and may have conflicts of interest in dealing with the District.

NOTE 10 – ECONOMIC DEPENDENCY

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

NOTE 11 - 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 this 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 fund 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.

**COLORADO SCIENCE AND TECHNOLOGY PARK
METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

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.

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

On May 4, 2007, the District's electors authorized the District to collect and spend or retain ad valorem taxes up to \$10,000,000 annually for operations and maintenance expenses of the District without regard to any limitation imposed by TABOR beginning in 2008. The electors also authorized the District to increase taxes up to \$10,000,000 annually to pay the District operations and maintenance expenses by the imposition of fees without limitation as to rate or amount. The electors also authorized the District to increase taxes of up to \$750,000,000 annually to pay for regional improvements for which it is obligated per its service plan and other intergovernmental agreements.

On May 6, 2014, the District's electors authorized the District to collect and spend or retain ad valorem taxes up to \$10,000,000 annually for operations and maintenance expenses of the District without regard to any limitation imposed by TABOR beginning in 2015. The electors also authorized the District to increase taxes up to \$10,000,000 annually to pay the District operations and maintenance expenses by the imposition of fees without limitation as to rate or amount. The electors also authorized the District to increase taxes of up to \$750,000,000 annually to pay for regional improvements for which it is obligated per its service plan and other intergovernmental agreements.

On May 6, 2014, a majority of the District's electors authorized the District to collect and spend or retain in a reserve all currently levied taxes and other revenue of the District for 2015 and any year thereafter, without regard to any limitations under TABOR.

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

**COLORADO SCIENCE AND TECHNOLOGY PARK
METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 13 – INTERFUND TRANSFERS

The transfer of \$75,000 from the Debt Service Fund to the General Fund was transferred for the purpose of assisting with operating costs as allowed by the 2015 Loan Agreement.

The transfer of \$80,000 from the Debt Service Fund to the General Fund was to transfer interest on delinquent taxes which are not pledged for debt service.

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

SUPPLEMENTAL INFORMATION

COLORADO SCIENCE AND TECHNOLOGY PARK METROPOLITAN DISTRICT NO. 1
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
DEBT SERVICE FUND
Year Ended December 31, 2016

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget - Positive (Negative)
REVENUES				
Property taxes	\$ 1	\$ -	\$ -	\$ -
Specific ownership taxes	10	4	4	-
Incremental sales/use tax - AURA	55,000	227,191	227,191	-
Incremenatl property tax - AURA	634,750	1,377,083	1,377,083	-
Transfer from Colorado Science and Technology Metropolitan District No. 2	9,029	97,863	97,863	-
Transfer from Colorado Science and Technology Metropolitan District No. 3	1	4	4	-
Net investment income	-	2,022	2,022	-
Total revenues	698,791	1,704,167	1,704,167	-
EXPENDITURES				
Planning and development		224,024	224,024	-
Stapleton Land loan principal	622,527	505,000	505,000	-
Stapleton Land loan interest	306,075	292,590	292,590	-
Total Expenditures	928,602	1,021,614	1,021,614	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(229,811)	682,553	682,553	-
OTHER FINANCING SOURCES (USES)				
Developer advances	-	224,024	224,024	-
Transfers out		(155,000)	(155,000)	-
Total other financing sources (uses)	-	69,024	69,024	-
NET CHANGE IN FUND BALANCE	(229,811)	751,577	751,577	-
FUND BALANCE - BEGINNING OF YEAR	499,788	274,133	274,133	-
FUND BALANCE - END OF YEAR	\$ 269,977	\$ 1,025,710	\$ 1,025,710	\$ -

OTHER INFORMATION

COLORADO SCIENCE AND TECHNOLOGY PARK METROPOLITAN DISTRICT NO. 1
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2016

\$5,585,000 Loan, Series 2015
Dated September 30, 2015
Interest Rate at 5.5%
Principal Due December 1

Year Ending December 31,	Interest Due June 1 and December 1		
	Principal	Interest	Total
2017	\$ 190,000	\$ 262,900	\$ 452,900
2018	200,000	252,450	452,450
2019	215,000	241,450	456,450
2020	4,175,000	229,625	4,404,625
	\$ 4,780,000	\$ 986,425	\$ 5,766,425