

ST. VRAIN LAKES METROPOLITAN DISTRICT NO. 1

Financial Statements

Year Ended December 31, 2016

with

Independent Auditors' Report



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*By the Office of the State Auditor at 9:22 am, Sep 27, 2017*

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Certified Public Accountants and Business Consultants

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
St. Vrain Lakes Metropolitan District No. 1  
Weld County, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of St. Vrain Lakes Metropolitan District No. 1 (the 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 St. Vrain Lakes Metropolitan District No. 1, as of December 31, 2016, and the respective changes in financial position thereof, and the 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**

### *Economic Dependency*

The District has not yet established a revenue base sufficient to pay its capital improvements requirements. As discussed in Note 6, the District will be dependent upon the developer of the District's service area to provide funding for such expenditures.

### *Required Supplementary Information*

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statement in an appropriate operation, 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 basic financial statements. The supplemental information as listed in the table of contents is presented for purposes of legal compliance and additional analysis and is not a required part of the basic financial statements. The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements as a whole.

*Danner Higgin & Associates, PC*

Lakewood, Colorado  
September 23, 2017

# ST VRAIN LAKES METROPOLITAN DISTRICT NO. 1

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

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 219,081	\$ -	\$ -	\$ 219,081	\$ -	\$ 219,081
Cash and cash equivalents - restricted	17,041	-	836,915	853,956	-	853,956
Receivable from county treasurer	22	-	-	22	-	22
Grant receivable	-	-	204,000	204,000	-	204,000
Property taxes receivable	1,096	91	-	1,187	-	1,187
Accounts receivable - developer	-	-	291,221	291,221	(272,798)	18,423
Prepaid expenses	12,893	-	53,395	66,288	-	66,288
Due from District No. 2	967	-	3,225	4,192	-	4,192
Due from District No. 3	643	-	2,147	2,790	-	2,790
Due from District No. 4	53	-	180	233	-	233
Capital assets not being depreciated	-	-	-	-	31,670,555	31,670,555
Total Assets	<u>\$ 251,796</u>	<u>\$ 91</u>	<u>\$ 1,391,083</u>	<u>\$ 1,642,970</u>	<u>31,397,757</u>	<u>33,040,727</u>
<b>LIABILITIES</b>						
Accounts payable	\$ -	\$ -	\$ 637,332	\$ 637,332	-	637,332
Retainage payable	-	-	531,733	531,733	-	531,733
Long-term liabilities:						
Due in more than one year	-	-	-	-	40,013,060	40,013,060
Total Liabilities	<u>-</u>	<u>-</u>	<u>1,169,065</u>	<u>1,169,065</u>	<u>40,013,060</u>	<u>41,182,125</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred property taxes	1,096	91	-	1,187	-	1,187
Total Deferred Inflows of Resources	<u>1,096</u>	<u>91</u>	<u>-</u>	<u>1,187</u>	<u>-</u>	<u>1,187</u>
<b>FUND BALANCES/NET POSITION</b>						
Fund balances:						
Nonspendable:						
Prepays	12,893	-	53,395	66,288	(66,288)	-
Restricted:						
Emergencies	17,041	-	-	17,041	(17,041)	-
Capital projects	-	-	168,623	168,623	(168,623)	-
Assigned	219,630	-	-	219,630	(219,630)	-
Unassigned	1,136	-	-	1,136	(1,136)	-
Total Fund Balances	<u>250,700</u>	<u>-</u>	<u>222,018</u>	<u>472,718</u>	<u>(472,718)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 251,796</u>	<u>\$ 91</u>	<u>\$ 1,391,083</u>	<u>\$ 1,642,970</u>		
Net Position:						
Restricted for:						
Emergencies					17,041	17,041
Capital projects					168,623	168,623
Unrestricted					(8,328,249)	(8,328,249)
Total Net Position (Deficit)					<u>\$ (8,142,585)</u>	<u>\$ (8,142,585)</u>

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

**ST VRAIN LAKES METROPOLITAN DISTRICT NO. 1**

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

	<u>General</u>	<u>Debt Service</u>	<u>Capital Project</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>EXPENDITURES</b>						
Accounting	\$ 4,778	\$ -	\$ 19,110	\$ 23,888	\$ (19,110)	\$ 4,778
Audit	11,250	-	-	11,250	-	11,250
Legal	11,369	-	68,379	79,748	(68,379)	11,369
Insurance	12,751	-	-	12,751	-	12,751
Management	46,725	-	-	46,725	-	46,725
Miscellaneous	583	-	-	583	-	583
Maintenance	29,085	-	-	29,085	-	29,085
Utilities	21,507	-	-	21,507	-	21,507
Treasurer's fees	66	6	-	72	-	72
Pumping services	31,500	-	-	31,500	-	31,500
Capital improvements	-	-	10,104,432	10,104,432	(10,104,432)	-
City mill levy	-	361	-	361	-	361
Interest on developer advances - operations	-	-	-	-	5,955	5,955
Interest on developer advances - capital	-	-	-	-	1,481,711	1,481,711
Developer repayment - capital - interest	-	-	464,542	464,542	(464,542)	-
<b>Total Expenditures</b>	<u>169,614</u>	<u>367</u>	<u>10,656,463</u>	<u>10,826,444</u>	<u>(9,168,797)</u>	<u>1,657,647</u>
<b>PROGRAM REVENUES</b>						
System development fees	-	-	215,350	215,350	-	215,350
<b>Total Program Revenues</b>	<u>-</u>	<u>-</u>	<u>215,350</u>	<u>215,350</u>	<u>-</u>	<u>215,350</u>
<b>Net Program Income (Expense)</b>	<u>(169,614)</u>	<u>(367)</u>	<u>(10,441,113)</u>	<u>(10,611,094)</u>	<u>9,168,797</u>	<u>(1,442,297)</u>
<b>GENERAL REVENUES</b>						
Property taxes	4,399	-	-	4,399	-	4,399
Property taxes - city mill levy	-	367	-	367	-	367
Specific ownership taxes	314	-	-	314	-	314
Transfer from District No. 2	52,962	-	160,003	212,965	-	212,965
Transfer from District No. 3	35,269	-	106,553	141,822	-	141,822
Transfer from District No. 4	2,981	-	9,013	11,994	-	11,994
Interest income	-	-	5,122	5,122	-	5,122
<b>Total General Revenues</b>	<u>95,925</u>	<u>367</u>	<u>280,691</u>	<u>376,983</u>	<u>-</u>	<u>376,983</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(73,689)</u>	<u>-</u>	<u>(10,160,422)</u>	<u>(10,234,111)</u>	<u>9,168,797</u>	<u>(1,065,314)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Developer advances	-	-	9,791,802	9,791,802	(9,791,802)	-
Reimbursements from FEMA	-	-	204,000	204,000	-	204,000
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>9,995,802</u>	<u>9,995,802</u>	<u>(9,791,802)</u>	<u>204,000</u>
<b>NET CHANGES IN FUND BALANCES</b>	<u>(73,689)</u>	<u>-</u>	<u>(164,620)</u>	<u>(238,309)</u>	<u>238,309</u>	
<b>CHANGES IN NET POSITION</b>					<u>(861,314)</u>	<u>(861,314)</u>
<b>FUND BALANCES/NET POSITION</b>						
BEGINNING OF YEAR	<u>324,389</u>	<u>-</u>	<u>386,638</u>	<u>711,027</u>	<u>(7,992,298)</u>	<u>(7,281,271)</u>
END OF YEAR	<u>\$ 250,700</u>	<u>\$ -</u>	<u>\$ 222,018</u>	<u>\$ 472,718</u>	<u>\$ (8,615,303)</u>	<u>\$ (8,142,585)</u>

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

# ST VRAIN LAKES METROPOLITAN DISTRICT NO. 1

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

For the Year Ended December 31, 2016

	Original & Final		Variance
	Budget	Actual	Favorable (Unfavorable)
<b>REVENUES</b>			
Property taxes	\$ 4,399	\$ 4,399	\$ -
Specific ownership taxes	429	314	(115)
Transfer from District No. 2	54,148	52,962	(1,186)
Transfer from District No. 3	36,052	35,269	(783)
Transfer from District No. 4	3,024	2,981	(43)
Interest income	120	-	(120)
Homeowner assessments	78,000	-	(78,000)
Total Revenues	176,172	95,925	(80,247)
<b>EXPENDITURES</b>			
Accounting	6,000	4,778	1,222
Audit	5,000	11,250	(6,250)
Legal	15,000	11,369	3,631
Insurance	11,000	12,751	(1,751)
Management	10,000	46,725	(36,725)
Miscellaneous	4,525	583	3,942
Maintenance	78,000	29,085	48,915
Utilities	27,000	21,507	5,493
Repay Developer Advances	250,000	-	250,000
Treasurer's fees	66	66	-
Pumping services	-	31,500	(31,500)
Contingency	13,061	-	13,061
Emergency reserve	12,198	-	12,198
Total Expenditures	431,850	169,614	262,236
<b>NET CHANGE IN FUND BALANCE</b>	(255,678)	(73,689)	181,989
<b>FUND BALANCE:</b>			
BEGINNING OF YEAR	255,678	324,389	68,711
END OF YEAR	\$ -	\$ 250,700	\$ 250,700

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

# ST. VRAIN LAKES METROPOLITAN DISTRICT NO. 1

## Notes to Financial Statements December 31, 2016

### Note 1: Summary of Significant Accounting Policies

The accounting policies of the St. Vrain Lakes Metropolitan District No. 1 (“District”), located in Weld County, Colorado, conform to the accounting principles generally accepted in the United States of America (“GAAP”) as applicable to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies consistently applied in the preparation of financial statements.

#### Definition of Reporting Entity

The District was organized on November 22, 2006, as a quasi-municipal organization established under the State of Colorado Special District Act. The District was organized as part of a service plan establishing the District, St. Vrain Lakes Metropolitan District No. 2 (“District No. 2”), St. Vrain Lakes Metropolitan District No. 3 (“District No. 3”), and St. Vrain Lakes Metropolitan District No. 4 (“District No. 4”). The District is proposed to be the service district and is expected to manage and oversee the permitted district activities. District No. 2, District No. 3 and District No. 4 are the proposed financing districts. The District was established to provide for the construction and financing of the public improvements for the use and benefit of the residents and property owners within the service area. The District is governed by an elected Board of Directors.

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

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

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

# ST. VRAIN LAKES METROPOLITAN DISTRICT NO. 1

## Notes to Financial Statements December 31, 2016

### Basis of Presentation

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

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

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

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

### Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

# ST. VRAIN LAKES METROPOLITAN DISTRICT NO. 1

## Notes to Financial Statements December 31, 2016

The District reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources not accounted for and reported in another fund.

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

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

### Budgetary Accounting

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

### Assets, Liabilities and Net Position

#### Fair Value of Financial Instruments

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

### Deposits and Investments

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

# ST. VRAIN LAKES METROPOLITAN DISTRICT NO. 1

## Notes to Financial Statements December 31, 2016

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a minimum number of bank accounts. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash.

### Estimates

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

### Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has no items that qualify for reporting in this category.

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

### Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable using the straight-line method. Depreciation on property that will remain assets of the District is reported on the Statement of Activities as a current charge. Improvements that will be conveyed to other governmental entities are classified as construction in progress and are not depreciated. Land and certain landscaping improvements are not depreciated.

# ST. VRAIN LAKES METROPOLITAN DISTRICT NO. 1

## Notes to Financial Statements December 31, 2016

### Property Taxes

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or if in equal installments, at the taxpayers' election, in February and June. Delinquent taxpayers are notified in July or August and the sales of the resultant tax liens on delinquent properties are generally held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows in the year they are levied and measurable since they are not normally available nor are they budgeted as a resource until the subsequent year. The deferred property taxes are recorded as revenue in the subsequent year when they are available or collected.

### Long-Term Obligations

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

### Fund Equity

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

### Nonspendable Fund Balance

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

The nonspendable fund balances in the General Fund and the Capital Projects Fund represent prepaid expenditures.

### Restricted Fund Balance

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

The restricted fund balance in the General Fund represents Emergency Reserves that have been provided as required by Article X, Section 20 of the Constitution of the State of Colorado. A total of \$17,041 of the General Fund balance has been reserved in compliance with this requirement.

ST. VRAIN LAKES METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements  
December 31, 2016

The restricted fund balance in the Capital Projects Fund in the amount of \$168,623 is restricted for the payment of the costs for capital improvements within the District.

Committed Fund Balance

The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by a formal action of the government's highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.

Assigned Fund Balance

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

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

Unassigned Fund Balance

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

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

Net Position

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

Net investment in capital assets – consists of net capital assets, reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows or resources related to those assets.

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

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

ST. VRAIN LAKES METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements  
December 31, 2016

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

Note 2: Cash and Investments

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

Statement of Net Position:	
Cash and cash equivalents	\$ 219,081
Cash and cash equivalents - restricted	<u>853,956</u>
	\$ <u>1,073,037</u>

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

Deposits with financial institutions	\$ 98,199
Investments – Colostrust	<u>974,838</u>
	\$ <u>1,073,037</u>

Deposits

Custodial Credit Risk

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

The District follows state statutes for deposits. None of the District’s deposits were exposed to custodial credit risk.

# ST. VRAIN LAKES METROPOLITAN DISTRICT NO. 1

## Notes to Financial Statements December 31, 2016

### Investments

#### Investment Valuation

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

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

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

#### Credit Risk

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

As of December 31, 2015, the District had the following investments:

#### COLOTRUST

The local government investment pool, Colorado Local Government Liquid Asset Trust (“COLOTRUST”) is rated AAAM by Standard & Poor’s with a weighted average maturity of under 60 days, a Level 2 investment under the fair value hierarchy. COLOTRUST is an investment trust/joint ventures established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The trusts operate similarly to a money market fund with each share maintaining a value of \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both investments consist of U.S. Treasury bills and notes and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. Designated custodian banks provide safekeeping and depository services to the trusts. Substantially all securities owned by the trusts are held by the Federal Reserve Bank in the accounts maintained for the custodian banks. The custodians’ internal records identify the investments owned by COLOTRUST. At December 31, 2016, the District had \$974,838 invested in COLOTRUST.

ST. VRAIN LAKES METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements  
December 31, 2016

Custodial and Concentration of Credit Risk

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

Interest Rate Risk

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

Note 3: Capital Assets

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

<u>Governmental Type Activities:</u>	<u>Balance 1/1/2016</u>	<u>Transfers/ Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance 12/31/2016</u>
<u>Capital assets not being depreciated:</u>				
Construction in progress	\$ 21,478,634	\$ 10,191,921	\$ -	\$ 31,670,555

Upon completion and acceptance, a majority of the fixed assets will be conveyed by the District to other local governments. The District will not be responsible for maintenance.

Note 4: Long Term Debt

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

Reimbursement and Acquisition Agreement

On June 12, 2007, the District entered into a Reimbursement and Acquisition Agreement whereby the District agrees to reimburse Brookfield Residential, LLC (formerly CARMA, Inc.) ("Developer"), for all District costs incurred by the Developer, whether by construction of public infrastructure or by advancement of funds to the District for the purpose of providing public infrastructure including all related costs such as organization costs, operations and maintenance, engineering, surveying, construction and the costs of acquiring public lands. The repayment of such costs is not to exceed \$100,000,000. The advances do constitute multiple fiscal year financial obligations of the District and are not subject to annual appropriation by the District. The advances bear interest at a rate of 6% per annum from the date of the advance. The advances are to be repaid using bond proceeds or any other legally available revenues.

ST. VRAIN LAKES METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements  
December 31, 2016

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

	Balance 1/1/2016	Additions	Reductions	Balance 12/31/2016	Current Portion
Developer advances:					
Capital - principal	\$ 21,455,741	\$ 10,078,368	\$ -	\$ 31,534,109	\$ -
Capital - interest	7,333,170	1,481,711	464,542	8,350,339	-
Operations - principal	98,979	-	-	98,979	-
Operations - interest	23,678	5,955	-	29,633	-
	<u>\$ 28,911,568</u>	<u>\$ 11,566,034</u>	<u>\$ 464,542</u>	<u>\$ 40,013,060</u>	<u>\$ -</u>

Debt Authorization

On November 7, 2006, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$1,998,000,000 at an interest rate not to exceed 18%. No general obligation debt has been issued as of December 31, 2016. The District has not budgeted to issue new debt during 2017. Per the District’s Service Plan, the District cannot issue debt in excess of \$166,500,000 as a combined level with Districts No. 2, No. 3 and No. 4.

Note 5: District Agreements

District Facilities Construction and Service Agreement (“Master IGA”)

On June 12, 2007, the District entered into a District Facilities Construction and Service Agreement (“Master IGA”) with District No. 2, District No. 3 and District No. 4. This Master IGA provides for the implementation of the principles and objectives set forth in the Districts’ Service Plan regarding the financing, construction, operation and maintenance of the Districts’ facilities.

Grant Agreement with State of Colorado

On September 22, 2014, the District entered into a Grant Agreement (“Grant”) with the State of Colorado – Department of Public Safety. During 2013, the District’s infrastructure sustained severe damage as a result of weather related flooding. The Grant reimburses the District for 75% federal and 12.5% state shares of the eligible FEMA public assistance program expenditures. The District is responsible for the remaining 12.5%. The maximum amount of the grant is \$3,451,596. The Grant terminates on September 10, 2018. The District has submitted reimbursement requests during 2014 and 2015 for the costs the District believed were “eligible costs” under the Grant. During 2016, the District received \$34,781 of reimbursements, which was recorded as a receivable in the prior year, and at December 31, 2016, the District has a Grant Receivable in the amount of \$204,000 for requests not yet submitted. The Grant Receivable is an estimate as the State may determine some costs are not eligible for reimbursement. As of December 31, 2016, the District has recorded a total of \$1,804,680 of reimbursements from the Grant.

ST. VRAIN LAKES METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements  
December 31, 2016

Intergovernmental Agreement with the Town of Firestone

On December 9, 2015, the District entered into an Intergovernmental Agreement with the Town of Firestone (“Town”) and District No. 2, District No. 3 and District No. 4 whereby, commencing with the certification of a mill levy in 2015 for collection in 2016, each of the Districts agree to annually impose, collect, transfer, convey and remit to the Town all revenues generated from a levy of five (5) mills that shall be imposed upon all taxable property of each such District. Each District shall remit these funds monthly to the Town. The Town will place these funds in a separate account to be used to maintain regional parks, regional trails and public streets within or benefitting the property within the boundaries of the Districts.

Note 6: Economic Dependency

The District has not yet established a revenue base sufficient to pay for the District’s capital improvements requirements. Until an independent revenue base is established, the continuation of capital improvements in the District will be dependent on funding by the Developer.

Note 7: Related Party

All of the Board of Directors are employees, owners or are otherwise associated with the Developer and may have conflicts of interest in dealing with the District. Management believes that all potential conflicts, if any, have been disclosed to the Board.

Note 8: Tax, Spending and Debt Limitations

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

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

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

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

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Notes to Financial Statements  
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On November 7, 2006, a majority of the District's electors authorized the District to collect and spend or retain in a reserve all currently levied taxes and fees of the District without regard to any limitations under Article X, Section 20 of the Colorado Constitution.

Note 9: Risk Management

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

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

Note 10: Reconciliation of Government-Wide Financial Statements and Fund Financial Statements

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

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

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Notes to Financial Statements  
December 31, 2016

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

- 1) Governmental funds report capital outlays as expenditures; however, in the statement of activities, the costs of those assets are held as construction in progress pending transfer to other governmental entities or depreciated over their useful lives;
- 2) governmental funds report interest expense on the modified accrual basis; however, interest expense is reported on the full accrual method in the statement of activities; and,
- 3) governmental funds report developer advances as revenue and report interest as expenditures; however, these are reported as charges to long-term liabilities on the government-wide financial statements.

Note 11: Construction Commitments

The District has approved various major construction contracts for the design, construction and installation of various infrastructure improvements. At December 31, 2016, the remaining balances of these outstanding contracts totaled approximately \$1,600,000.

## SUPPLEMENTAL INFORMATION

# ST VRAIN LAKES METROPOLITAN DISTRICT NO. 1

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

For the Year Ended December 31, 2016

	Original & Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
<b>REVENUES</b>			
Property taxes - city mill levy	\$ 367	\$ 367	\$ -
Interest income	<u>10</u>	<u>-</u>	<u>(10)</u>
 Total Revenues	 <u>377</u>	 <u>367</u>	 <u>(10)</u>
 <b>EXPENDITURES</b>			
Treasurer's fees	6	6	-
City mill levy	<u>371</u>	<u>361</u>	<u>10</u>
 Total Expenditures	 <u>377</u>	 <u>367</u>	 <u>10</u>
 <b>NET CHANGE IN FUND BALANCE</b>	 -	 -	 -
 <b>FUND BALANCE:</b>			
BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>
 END OF YEAR	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ -</u>

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

# ST VRAIN LAKES METROPOLITAN DISTRICT NO. 1

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

For the Year Ended December 31, 2016

	Original & Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
<b>REVENUES</b>			
System development fees	\$ 73,750	\$ 215,350	\$ 141,600
Transfer from District No. 2	166,692	160,003	(6,689)
Transfer from District No. 3	111,135	106,553	(4,582)
Transfer from District No. 4	9,845	9,013	(832)
Interest income	<u>-</u>	<u>5,122</u>	<u>5,122</u>
Total Revenues	<u>361,422</u>	<u>496,041</u>	<u>134,619</u>
<b>EXPENDITURES</b>			
Accounting	16,000	19,110	(3,110)
Legal	40,000	68,379	(28,379)
Capital improvements	11,444,000	10,104,432	1,339,568
Developer repayment - capital - interest	<u>497,465</u>	<u>464,542</u>	<u>32,923</u>
Total Expenditures	<u>11,997,465</u>	<u>10,656,463</u>	<u>1,341,002</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(11,636,043)	(10,160,422)	1,475,621
<b>OTHER FINANCING SOURCES (USES)</b>			
Developer advances	11,426,250	9,791,802	(1,634,448)
Reimbursements from FEMA	<u>-</u>	<u>204,000</u>	<u>204,000</u>
Total Other Financing Sources (Uses)	<u>11,426,250</u>	<u>9,995,802</u>	<u>(1,430,448)</u>
<b>NET CHANGE IN FUND BALANCE</b>	(209,793)	(164,620)	45,173
<b>FUND BALANCE:</b>			
BEGINNING OF YEAR	<u>209,793</u>	<u>386,638</u>	<u>176,845</u>
END OF YEAR	<u>\$ -</u>	<u>\$ 222,018</u>	<u>\$ 222,018</u>

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