

PARTERRE METROPOLITAN DISTRICT NO. 1
Adams County, Colorado

FINANCIAL STATEMENTS
December 31, 2016



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Dazzio & Associates, PC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Parterre Metropolitan District No. 1
Adams County, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of the Parterre Metropolitan District No. 1 as of and for the year 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.

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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 the Parterre Metropolitan District No. 1, as of December 31, 2016, and the respective changes in financial position 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

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our 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 Parterre Metropolitan District No. 1's basic financial statements. The Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual for the Capital Projects Fund (the Supplementary Information) and the Summary of Assessed Valuation, Mill Levy and Property Taxes Collected (the Other Information) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplementary Information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Other Information 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.

Dussio & Associates, P.C.

September 8, 2017

BASIC FINANCIAL STATEMENTS

PARTERRE METROPOLITAN DISTRICT NO. 1
STATEMENT OF NET POSITION
December 31, 2016

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 1,290
Cash and investments - restricted	251,251
Receivable from Willow Bend South Metro District	4,206
Property tax receivable	2
Construction in progress	<u>2,530,580</u>
Total assets	<u><u>2,787,329</u></u>
LIABILITIES	
Accounts payable	45,817
Noncurrent liabilities	
Due in more than one year	<u>2,025,555</u>
Total liabilities	<u><u>2,071,372</u></u>
DEFERRED INFLOWS OF RESOURCES	
Property tax revenue	<u>2</u>
Total deferred inflows of resources	<u><u>2</u></u>
NET POSITION	
Unrestricted	<u>715,955</u>
Total net position	<u><u>\$ 715,955</u></u>

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

PARTERRE METROPOLITAN DISTRICT NO. 1
STATEMENT OF ACTIVITIES
Year Ended December 31, 2016

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Revenue and Changes in Net Position</u>
					<u>Governmental Activities</u>
Primary government:					
Governmental activities:					
General government	\$ 86,597	\$ -	\$ -	\$ 4,206	\$ (82,391)
Interest on long-term debt	98,283	-	-	-	(98,283)
Escrow refund	196,910	-	-	-	(196,910)
	<u>\$ 381,790</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,206</u>	<u>(377,584)</u>
General revenues:					
Property taxes					<u>2</u>
Total general revenues					<u>2</u>
Change in net position					(377,582)
Net position - Beginning					<u>1,093,537</u>
Net position - Ending					<u>\$ 715,955</u>

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

**PARTERRE METROPOLITAN DISTRICT NO. 1
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2016**

	General	Capital Projects	Totals Governmental Funds
ASSETS			
Cash and investments	\$ 1,290	\$ -	\$ 1,290
Cash and investments - restricted	-	251,251	251,251
Accounts receivable - Willow Bend Metro District	-	4,206	4,206
Property taxes receivable	2	-	2
TOTAL ASSETS	\$ 1,292	\$ 255,457	\$ 256,749
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)			
LIABILITIES			
Accounts payable	41,966	3,851	45,817
Total liabilities	41,966	3,851	45,817
DEFERRED INFLOWS OF RESOURCES			
Deferred property taxes	2	-	2
Total deferred inflows of resources	2	-	2
FUND BALANCES (DEFICITS)			
Unassigned	(40,676)	251,606	210,930
Total fund balances (deficits)	(40,676)	251,606	210,930
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)	\$ 1,292	\$ 255,457	

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	2,530,580
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	
Developer advances	(1,806,740)
Accrued interest on developer advances	(218,815)
Net position of governmental activities	\$ 715,955

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

PARTERRE METROPOLITAN DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS)
GOVERNMENTAL FUNDS
Year Ended December 31, 2016

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
REVENUES			
Property taxes	\$ 2	\$ -	\$ 2
Developer Advance	46,875	4,300	51,175
Transfer from Willow Bend MD	-	4,206	4,206
Total revenues	<u>46,877</u>	<u>8,506</u>	<u>55,383</u>
EXPENDITURES			
Current			
Accounting	18,149	-	18,149
Audit	3,200	-	3,200
Dues and memberships	311	-	311
Election expense	2,232	-	2,232
Insurance and bonds	3,073	-	3,073
Legal	55,182	-	55,182
Miscellaneous	148	4,302	4,450
Capital outlay			
Change orders	-	67,861	67,861
Engineering	-	7,760	7,760
Escrow refund to North Holly Metro District	-	77,116	77,116
Escrow refund to Lewis Pointe Metro District	-	119,794	119,794
Sanitary sewer line A	-	34,996	34,996
Total expenditures	<u>82,295</u>	<u>311,829</u>	<u>394,124</u>
NET CHANGE IN FUND BALANCES	(35,418)	(303,323)	(338,741)
FUND BALANCES - BEGINNING OF YEAR	<u>(5,258)</u>	<u>554,929</u>	<u>549,671</u>
FUND BALANCES (DEFICITS) - END OF YEAR	<u>\$ (40,676)</u>	<u>251,606</u>	<u>\$ 210,930</u>

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

**PARTERRE METROPOLITAN DISTRICT NO. 1
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS)
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2016**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - Total governmental funds	\$ (338,741)
<p>Governmental funds report capital outlays as expenditures. In the statement of activities capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense the allocation of the cost of any depreciable asset over the estimated useful life of the asset.</p>	
Capital outlay	110,617
<p>The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.</p>	
Developer advances	(51,175)
<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>	
Accrued interest on developer advances, net change	<u>(98,283)</u>
Changes in net position of governmental activities	<u><u>\$ (377,582)</u></u>

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

PARTERRE METROPOLITAN DISTRICT NO. 1
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES (DEFICITS) - BUDGET AND ACTUAL
Year Ended December 31, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Property taxes	\$ 2	\$ 2	\$ 2	\$ -
Developer advance	62,500	62,500	46,875	(15,625)
Other revenue	-	26,971	-	(26,971)
Total revenues	<u>62,502</u>	<u>89,473</u>	<u>46,877</u>	<u>(42,596)</u>
EXPENDITURES				
Accounting	20,000	20,000	18,149	1,851
Audit	4,000	4,000	3,200	800
Contingency	-	27,500	-	27,500
Dues and subscriptions	500	500	311	189
Election	-	-	2,232	(2,232)
Insurance and bonds	3,000	3,000	3,073	(73)
Legal	35,000	35,000	55,182	(20,182)
Miscellaneous	-	-	148	(148)
Total expenditures	<u>62,500</u>	<u>90,000</u>	<u>82,295</u>	<u>7,705</u>
NET CHANGE IN FUND BALANCES	2	(527)	(35,418)	(34,891)
FUND BALANCES - BEGINNING OF YEAR	<u>527</u>	<u>527</u>	<u>(5,258)</u>	<u>(5,785)</u>
FUND BALANCES (DEFICITS) - END OF YEAR	<u>\$ 529</u>	<u>\$ -</u>	<u>\$ (40,676)</u>	<u>\$ (40,676)</u>

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

PARTERRE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 1 - DEFINITION OF REPORTING ENTITY

Parterre Metropolitan District No. 1 (District), a quasi-municipal corporation and political subdivision of the State of Colorado, located entirely in Adams County, Colorado, was organized on January 16, 2009, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District was established to provide for construction and financing of public improvements including, but not limited to, streets, safety control, water, sanitation, and park and recreation facilities. After construction and acceptance by the City and other local governments, these entities will generally be responsible for the perpetual maintenance of all facilities, except park and recreation improvements. The District may further be authorized to provide maintenance of certain facilities in accordance with an intergovernmental agreement with the City.

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. The effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes.

The statement of net position reports all financial and capital resources of the District. The difference between the sum of assets and deferred outflows and the sum of liabilities and deferred inflows is reported as net position.

PARTERRE 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.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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 property, plant and equipment 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 after the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is due.

The District reports the following major governmental funds:

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

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

PARTERRE 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.

The District amended its annual budget for the year ended December 31, 2016.

Pooled Cash and Investments

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

Investments are carried at fair value.

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

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

Capital Assets

Capital assets, which include infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type 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. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

PARTERRE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital assets which are anticipated to be conveyed to other governmental entities are recorded as construction in progress, and are not included in the calculation of invested in capital assets, net of related debt.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Depreciation expense has been computed using the straight-line method over the estimated economic useful lives.

Equity

Net Position

For government-wide presentation purposes when both restricted and unrestricted resources are available for use, it is the government's practice to use restricted resources first, then unrestricted resources as they are needed.

Fund Balance

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

Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

- *Nonspendable fund balance* – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.
- *Restricted fund balance* – The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.
- *Committed fund balance* – The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.
- *Assigned fund balance* – The portion of fund balance that is constrained by the government's intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.

PARTERRE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- *Unassigned fund balance* – The residual portion of fund balance that does not meet any of the criteria described above.

If more than one classification of fund balance is available for use when an expenditure is incurred, it is the District's practice to use the most restrictive classification first.

Deficits

The General Fund reported a deficit in the fund financial statements in the amount of \$40,676 as of December 31, 2016. The deficit will be eliminated with the receipt of funds advanced by the Developer in 2017.

NOTE 3 - CASH AND INVESTMENTS

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

Statement of net position and balance sheet:

Cash and investments	\$ 1,290
Cash and investments - Restricted	<u>251,251</u>
	<u><u>\$ 252,541</u></u>

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

Deposits with financial institutions	\$ 252,541
Total cash and investments	<u><u>\$ 252,541</u></u>

Deposits with Financial Institutions

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 102% of the aggregate uninsured deposits.

The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2016, the District's cash deposits had a bank balance of \$256,840 and a carrying balance of \$252,541.

PARTERRE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

Investments

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments.

The District generally limits its concentration of investments to those noted with an asterisk (*) below, which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk or investment custodial risk disclosure requirements for investments that are in the possession of another party.

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

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

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

Fair Value Measurement and Application

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

As of December 31, 2016, the District had no investments.

PARTERRE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 4 - CAPITAL ASSETS

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

	<u>Balance at December 31, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at December 31, 2016</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Construction in progress	\$ 2,419,963	\$ 110,617	\$ -	\$ 2,530,580
Total capital assets, not being depreciated	<u>2,419,963</u>	<u>110,617</u>	<u>-</u>	<u>2,530,580</u>
Governmental activities capital assets, net	<u>\$ 2,419,963</u>	<u>\$ 110,617</u>	<u>\$ -</u>	<u>\$ 2,530,580</u>

NOTE 5 - LONG-TERM OBLIGATIONS

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

	<u>Balance at December 31, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at December 31, 2016</u>	<u>Due Within One Year</u>
Developer advances	\$1,755,565	\$ 51,175	\$ -	\$1,806,740	\$ -
Accrued interest on advances	120,532	98,283	-	218,815	-
Total long-term debt	<u>\$1,876,097</u>	<u>\$ 149,458</u>	<u>\$ -</u>	<u>\$2,025,555</u>	<u>\$ -</u>

PARTERRE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

Authorized Debt

On November 4, 2008, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$1,190,000,000 at an interest rate to be determined by the District. At December 31, 2016, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

	Authorized November 4, 2008 Election	Authorization Used	Remaining at December 31, 2015
Streets	\$ 85,000,000	\$ -	\$ 85,000,000
Parks and recreation	85,000,000	-	85,000,000
Water	85,000,000	-	85,000,000
Sanitary sewer	85,000,000	-	85,000,000
Transportation	85,000,000	-	85,000,000
Mosquito control	85,000,000	-	85,000,000
Safety protection	85,000,000	-	85,000,000
Fire protection	85,000,000	-	85,000,000
Television relay and translation	85,000,000	-	85,000,000
Security	85,000,000	-	85,000,000
Operations and maintenance	85,000,000	-	85,000,000
Refunding	85,000,000	-	85,000,000
Intergovernmental agreements	85,000,000	-	85,000,000
Private agreements	85,000,000	-	85,000,000
	<u>\$1,190,000,000</u>	<u>\$ -</u>	<u>\$1,190,000,000</u>

Per the Service Plan, the District is limited to issuing \$85,000,000 in debt. Issuance of any debt beyond \$85,000,000 would require an amendment to the Service Plan.

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.

PARTERRE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

Developer Advances

The District has entered into a Funding and Reimbursement Agreement with the Developer as follows:

Funding and Reimbursement Agreement

The District entered into an "Amended and Restated Funding and Reimbursement Agreement," dated as of August 14, 2014, with Plateau 470, LLC (Developer), which was amended through the "First Amendment to Amended and Restated Funding and Reimbursement Agreement," dated as of November 4, 2015. The First Amendment obligates the Developer to loan the District up to \$62,500 annually through December 31, 2016, and thereafter until 2019 if the Developer elects annually to continue making such advances. The Second Amendment to Amended and Restated Funding and Reimbursement Agreement, dated November 11, 2016, increases the annual loan amount to the District from the Developer to \$70,000 per year through 2017. Due to unforeseen costs associated with the North Holly Interceptor project, the Third Amendment to Amended and Restated Funding and Reimbursement Agreement, dated April 24, 2017, further increased the loan amount to \$82,294. Additionally, the Agreement obligates the Developer to advance the amount of \$1,322,737 to satisfy the District's obligations under the Construction Intergovernmental Agreement for the North Holly Sewer Interceptor Project (see Note 7). Interest accrues on amounts advanced at a rate of 8% per annum, unless the rate exceeds the current prime rate plus 2%, in which event the rate will become the current prime rate plus 2%. As of December 31, 2016, outstanding advances under this Agreement totaled \$1,806,740 and accrued interest totaled \$218,815.

NOTE 6 - NET POSITION

The District has net position consisting of one component - unrestricted.

The District's unrestricted net position as of December 31, 2016, totaled \$715,955.

NOTE 7 - AGREEMENTS

Construction Intergovernmental Agreement

On September 3, 2014, the District entered into a construction intergovernmental agreement with Lewis Pointe Metropolitan District (Lewis Pointe) and North Holly Metropolitan District (North Holly). The purpose of the agreement is to provide for the shared funding and construction of the North Holly Sewer Interceptor Project (the Project). Upon completion of the project, all public improvements constructed as part of the Project are to be dedicated to, owned, operated and maintained by the City. The District is responsible for the design, bid, construction and installation for the Project and shall construct the Project in accordance with the City Standards and Specifications for the Design and Construction of Public and Private Improvements. The Project shall be funded by each party according to their allocated share.

PARTERRE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 7 – AGREEMENTS (CONTINUED)

On July 31, 2015, the District amended the construction intergovernmental agreement for the Project to include Willow Bend Metropolitan District (Willow Bend) as one of the Funding Entities under the agreement.

Escrow Agreement

On September 3, 2014, the District entered into an escrow agreement with Lewis Pointe Metropolitan District (Lewis Pointe) and North Holly Metropolitan District (North Holly). The construction intergovernmental agreement provides for the joint funding of the North Holly Sewer Interceptor Project (the Project) for the construction by the District.

The escrow agreement was amended in July of 2015 to include Willow Bend Metropolitan District (Willow Bend) as one of the Funding Entities. Willow Bend remitted its Required Project Amount of \$420,663 to the Escrow Agent on August 5, 2015. As of December 31, 2016, all remaining funds were transferred to the checking account. During 2016, North Holly, Lewis Pointe and Willow Bend were refunded the amount of their portions of the excess funding of the escrow and the remaining balance represented the District's share of the overfunding.

NOTE 8 - 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). 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, workers compensation and public officials' liability coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

NOTE 9 - 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 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.

PARTERRE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 9 - TAX, SPENDING AND DEBT LIMITATIONS (CONTINUED)

On November 4, 2008, the majority of the District's electors authorized the District to increase taxes for general operations by \$85,000,000 annually without regard to any limitations under TABOR.

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

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

NOTE 10 - COMMITMENTS AND CONTINGENCIES

Construction Commitments

As of December 31, 2016, the District has met all contract commitments related to the North Holly Sewer Interceptor project, with the exception of the final escrow reimbursements to the partner Districts.

Note 11 - SUBSEQUENT EVENTS

On January 13, 2017, the District submitted payment to Plateau Holdings LLC in the amount of \$251,251.39 for their portion of the escrow refund.

On February 21, 2017, the District submitted final repayments to the partner districts, after all capital expenditures were paid, as follows:

Lewis Pointe Metro District:	\$ 1,135.75
North Holly Metro District:	\$ 715.10
Plateau Holdings LLC:	\$ 2,355.63

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

SUPPLEMENTARY INFORMATION

PARTERRE METROPOLITAN DISTRICT NO. 1
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Developer Advance	\$ -	\$ -	\$ 4,300	\$ 4,300
Other Revenue	-	17,000	-	(17,000)
Transfer from Willow Bend Metro District	-	-	4,206	4,206
Total revenues	<u>-</u>	<u>17,000</u>	<u>8,506</u>	<u>(8,494)</u>
EXPENDITURES				
Change orders	137,337	137,337	67,861	69,476
Contingency	-	17,000	-	17,000
Engineering	-	-	7,760	(7,760)
Refund escrow contributions	420,663	420,663	-	420,663
Escrow refund to North Holly Metro District	-	-	77,116	(77,116)
Escrow refund to Lewis Pointe Metro District	-	-	119,794	(119,794)
Sanitary sewer line A	-	-	34,996	(34,996)
Miscellaneous	-	-	4,302	(4,302)
Total expenditures	<u>558,000</u>	<u>575,000</u>	<u>311,829</u>	<u>263,171</u>
CHANGE IN FUND BALANCES	<u>(558,000)</u>	<u>(558,000)</u>	<u>(303,323)</u>	<u>254,677</u>
FUND BALANCES - BEGINNING OF YEAR	<u>558,000</u>	<u>558,000</u>	<u>554,929</u>	<u>(3,071)</u>
FUND BALANCES - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 251,606</u>	<u>\$ 251,606</u>

OTHER INFORMATION

**PARTERRE METROPOLITAN DISTRICT NO. 1
SUMMARY OF ASSESSED VALUATION,
MILL LEVY AND PROPERTY TAXES COLLECTED
December 31, 2016**

<u>Year ended December 31,</u>	<u>Prior Year Assessed Valuation for Current Year Property Tax Levy</u>	<u>Mills Levied for</u>		<u>Total Property Taxes</u>		<u>Percent Collected to Levied</u>
		<u>General</u>		<u>Levied</u>	<u>Collected</u>	
2015	\$ 40	50.000		\$ 2	\$ 2	100.0%
2016	\$ 40	50.000		\$ 2	\$ 2	100.0%
Estimated for calendar year ending December 31, 2017	\$ 40	50.000		\$ 2		

NOTE:

Property taxes shown as collected in any one year may include collection of delinquent property taxes assessed in prior years. This presentation does not attempt to identify specific year of assessment.