

**DUS METROPOLITAN DISTRICT NO. 1  
City and County of Denver, Colorado**

**FINANCIAL STATEMENTS  
December 31, 2016**



**RECEIVED**

*By the Office of the State Auditor at 1:42 pm, May 31, 2017*

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Board of Directors  
DUS Metropolitan District No. 1  
City and County of Denver, Colorado

### Independent Auditors' Report

We have audited the accompanying financial statements of the governmental activities and each major fund of the DUS Metropolitan District No. 1, 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles 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 the DUS 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 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.

*Simmons & Wheeler P.C.*

Englewood, CO  
May 1, 2017

## **BASIC FINANCIAL STATEMENTS**

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

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and investments	\$ 16,529
Cash and investments - Restricted	483,217
Receivable from DUS Metro District No. 2	10,174
Capital assets - net of accumulated depreciation	831,388
Total assets	1,341,308
<b>LIABILITIES</b>	
Accounts payable	54,961
Deposits	6,000
Noncurrent liabilities:	
Due in more than one year	449,243
Total liabilities	510,204
<b>NET POSITION</b>	
Net investment in capital assets	831,388
Restricted for:	
Emergency reserves	21,900
Intergovernmental agreements	461,317
Unrestricted	(483,501)
Total net position	\$ 831,104

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

**DUS 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>Revenue and</u> <u>Changes in Net</u> <u>Position</u>
		<u>Charges for</u> <u>Services</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>	<u>Capital Grants</u> <u>and</u> <u>Contributions</u>	<u>Governmental</u> <u>Activities</u>
Primary government:					
Governmental activities:					
General government	\$ 354,061	\$ -	\$ 725,181	\$ 853,696	\$ 1,224,816
Interest and related costs on long-term debt	35,681	-	-	-	(35,681)
	<u>\$ 389,742</u>	<u>\$ -</u>	<u>\$ 725,181</u>	<u>\$ 853,696</u>	<u>1,189,135</u>
General revenues:					
Net investment income					2,446
Other income					500
Total general revenues					<u>2,946</u>
Change in net position					1,192,081
Net position - Beginning (restated)					<u>(360,977)</u>
Net position - Ending					<u>\$ 831,104</u>

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

**DUS METROPOLITAN DISTRICT NO. 1  
BALANCE SHEET  
GOVERNMENTAL FUND  
December 31, 2016**

	<b>General</b>
<b>ASSETS</b>	
Cash and investments	\$ 16,529
Cash and investments - Restricted	483,217
Receivable from DUS Metro District No. 2	10,174
Total assets	\$ 509,920
<b>LIABILITIES</b>	
Accounts payable	\$ 54,961
Deposits	6,000
Total liabilities	60,961
<b>FUND BALANCE</b>	
Restricted for:	
Emergencies (TABOR)	21,900
RTD Maintenance Agreement	461,317
Unassigned:	
General government	(34,258)
Total fund balance	448,959
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	831,388
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds	
Developer advance payable	(235,749)
Accrued interest on developer advances	(213,494)
Net position of governmental activities	\$ 831,104

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

**DUS METROPOLITAN DISTRICT NO. 1**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCES - GOVERNMENTAL FUND**  
**Year Ended December 31, 2016**

	<b>General</b>
<b>REVENUES</b>	
Net investment income	\$ 2,446
Other income	500
Transfer from DUS Metro District No. 2 - RTD	4,294
Transfer from DUS Metro District No. 2 - Other	278,928
Transfer from DUS Metro District No. 3 - Other	12,662
Payment from DDA - TIF - RTD	429,297
Total revenues	728,127
<b>EXPENDITURES</b>	
Current	
Accounting	24,166
City administratiave fee	13,000
Dues and memberships	1,475
Election	1,497
Insurance and bonds	13,940
Repairs and maintenance	61,838
Event expenses	1,014
Legal services	57,172
Banking fees	178
Payment to RTD under HSZ IGA	161,357
Repay developer advance - principal	100,000
Capital projects	
Tail Tracks Plaza improvements	849,812
Total expenditures	1,285,449
<b>EXCESS OF REVENUES OVER (UNDER)</b>	
<b>EXPENDITURES</b>	<b>(557,322)</b>
<b>OTHER FINANCING SOURCES (USES)</b>	
Developer contribution	853,696
Total other financing sources/uses	853,696
<b>NET CHANGE IN FUND BALANCE</b>	296,374
<b>FUND BALANCE - BEGINNING OF YEAR</b>	152,585
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ 448,959</b>

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

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

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

Net changes in fund balances - Total governmental funds	\$ 296,374
<p>Governmental funds report capital outlays as expenditures. In the statement of activities, capital outlay is not reported as an expenditures. However, the statement of activities will report as depreciation expense the allocation of the cost of any depreciable assets over the estimated useful life of the assets.</p>	
Capital outlay	849,812
Depreciation	(18,424)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The net effect of these differences in the treatment of long-term debt is as follows:</p>	
Developer advance repayment	100,000
<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 - Change in liability	(35,681)
	_____
Change in net position of governmental activities	\$ 1,192,081

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

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

	<u>Budget</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Net investment income	\$ 40	\$ 1,730	\$ 2,446	\$ 716
Other income	-	250	500	250
Transfer from DUS Metro District No. 2 - RTD	4,294	4,294	4,294	-
Transfer from DUS Metro District No. 2 - Other	308,508	277,945	278,928	983
Transfer from DUS Metro District No. 3 - Other	4	12,662	12,662	-
Payment from DDA - TIF - RTD	311,718	461,317	429,297	(32,020)
Payment from DDA - TIF - Other	60,485	2,944	-	(2,944)
Total revenues	<u>685,049</u>	<u>761,142</u>	<u>728,127</u>	<u>(33,015)</u>
<b>EXPENDITURES</b>				
Current				
Accounting	25,000	22,000	24,166	(2,166)
City administratiave fee	13,000	13,000	13,000	-
Dues and memberships	1,200	1,475	1,475	-
Election	2,000	1,500	1,497	3
Insurance and bonds	15,000	13,940	13,940	-
Repairs and maintenance		62,000	61,838	162
Event expenses		700	1,014	(314)
Legal services	18,000	56,000	57,172	(1,172)
Banking fees	100	200	178	22
Payment to RTD under HSZ IGA	339,083	161,357	161,357	-
Repay developer advance - principal	130,000	100,000	100,000	-
Contingency	1,617	2,828	-	2,828
Capital projects				
Tail Tracks Plaza improvements	60,000	855,000	849,812	5,188
Total expenditures	<u>605,000</u>	<u>1,290,000</u>	<u>1,285,449</u>	<u>4,551</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>80,049</u>	<u>(528,858)</u>	<u>(557,322)</u>	<u>(28,464)</u>
<b>OTHER FINANCING SOURCES/USES</b>				
Developer contribution	-	855,000	853,696	(1,304)
Total other financing sources/uses	<u>-</u>	<u>855,000</u>	<u>853,696</u>	<u>(1,304)</u>
<b>NET CHANGE IN FUND BALANCE</b>	80,049	326,142	296,374	(29,768)
<b>FUND BALANCES -</b>				
<b>BEGINNING OF YEAR</b>	<u>(9,615)</u>	<u>152,585</u>	<u>152,585</u>	<u>-</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 70,434</u>	<u>\$ 478,727</u>	<u>\$ 448,959</u>	<u>\$ (29,768)</u>

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

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

**NOTE 1 - DEFINITION OF REPORTING ENTITY**

DUS Metropolitan District No. 1 (the District), a quasi-municipal corporation and a political subdivision of the State of Colorado, was organized by order and decree of the District Court of the City and County of Denver on February 5, 2009, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District's service area is located in the City and County of Denver, Colorado (the City).

The District was organized in conjunction with four other metropolitan districts: DUS Metropolitan District Nos. 2 through 5. The Districts were organized to finance, construct, own, manage, and operate public improvements, including streets, traffic and safety protection, water, sewer and storm drainage, transportation, mosquito control, and park and recreation improvements for the use and benefit of the inhabitants and taxpayers of the District in a mixed-use development project that includes redevelopment of the City's historic Denver Union Station and an adjacent property known as Market Street Station. The Service Plans for the Districts anticipated that the District would serve as the Management District and that District Nos. 2-5 (the Taxing Districts) would generate revenue to pay the costs of the District improvements. Additionally, the Service Plans of the Districts anticipated that District Nos. 2 and 3 would contribute a portion of their debt service mill levy revenues to assist in the financing of the Denver Union Station redevelopment project (the DUS Project) and that District Nos. 4 and 5 would finance the redevelopment of Market Street Station.

On November 4, 2008, the District's voters authorized general obligation indebtedness of \$3,100,000,000 for the above listed facilities and powers, but the District's service plan limits the total debt issuance to \$300,000,000, with a maximum debt mill levy of 50.000 mills.

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.

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

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

**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 and intergovernmental revenues.

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

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to 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.

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 major sources of revenue susceptible to accrual are intergovernmental revenues. 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 fund:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government.

**DUS 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 of 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.

**Cash and Investments**

Investments are carried at fair value.

**Capital Assets**

Capital assets, which include property, plant, and equipment and infrastructure assets are reported by the District. 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.

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 net investment in capital assets.

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 following estimated economic useful lives:

Furniture	10 years
Playground equipment	20 years
Landscaping	15 years
Plaza infrastructure	30 years

**Equity**

***Net Position***

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

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***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.
- 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.

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

**NOTE 3 - CASH AND INVESTMENTS**

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

Statement of net position:

Cash and investments	\$ 16,529
Cash and investments - Restricted	<u>483,217</u>
	<u>\$ 499,746</u>

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

Deposits with financial institutions	\$ 12,512
Investments	<u>487,234</u>
	<u>\$ 499,746</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.

As of December 31, 2016, the District's cash deposits had a bank balance of \$12,512 and a carrying balance of \$12,512.

**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.

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

**NOTE 3 - CASH AND INVESTMENTS (CONTINUED)**

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 certificates of participation
- . Certain securities lending agreements
- . Bankers' acceptances of certain banks
- . Commercial paper
- . Written repurchase 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 the following investments:

<b>Investment</b>	<b>Maturity</b>	<b>Fair Value</b>
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted average under 53 days	<u>\$ 487,234</u>

**COLOTRUST**

The District invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the Trust), an external investment pool that records its investments at fair value and measures fair value using Level 2 inputs. The Trust is 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, certain obligations of agencies of the U.S. government and written purchase agreements collateralized by U.S. Treasury securities or certain obligations of U.S. government agencies. COLOTRUST PLUS+ may also invest in highest rated commercial paper and any security allowed under CRS 24-75-601. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. COLOTRUST is rated AAAM by Standard & Poor's.

**DUS 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>Governmental Activities</u>	<u>Balance at December 31, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at December 31, 2016</u>
Capital assets, being depreciated				
Furniture	\$ -	\$ 20,812	\$ -	\$ 20,812
Playground equipment	-	230,000	-	230,000
Landscaping	-	99,000	-	99,000
Plaza	-	500,000	-	500,000
Total capital assets, being depreciated	<u>-</u>	<u>849,812</u>	<u>-</u>	<u>849,812</u>
Less accumulated depreciation for:				
Furniture	-	(1,041)	-	(1,041)
Playground equipment	-	(5,750)	-	(5,750)
Landscaping	-	(3,300)	-	(3,300)
Plaza	-	(8,333)	-	(8,333)
Total accumulated depreciation	<u>-</u>	<u>(18,424)</u>	<u>-</u>	<u>(18,424)</u>
Total capital assets, being depreciated, net	<u>-</u>	<u>831,388</u>	<u>-</u>	<u>831,388</u>
Governmental activities - Capital assets, net	<u>\$ -</u>	<u>\$ 831,388</u>	<u>\$ -</u>	<u>\$ 831,388</u>

Depreciation expense was charged to functions/programs of the District as follows:

Governmental Activities:	
General government	\$ 18,424
Total depreciation expense - Governmental activities	<u>\$ 18,424</u>

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

**NOTE 5 - LONG-TERM OBLIGATIONS**

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

	<u>Balance at December 31, 2015 (restated)</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at December 31, 2016</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
Developer advance - principal	\$ 335,749	\$ -	\$ 100,000	\$ 235,749	\$ -
Developer advance - accrued interest	177,813	35,681	-	213,494	-
Total	<u>\$ 513,562</u>	<u>\$ 35,681</u>	<u>\$ 100,000</u>	<u>\$ 449,243</u>	<u>\$ -</u>

**Developer Advances**

For the years 2009 through 2014, the District has entered into annual Administrative Funding Agreements (the Agreements) with Union Station Neighborhood Company, LLC, a Colorado limited liability company (the Developer). The Developer advanced funds necessary to pay organizational and administrative expenses of the District. The District shall reimburse the Developer for all advances, together with interest at a rate of 8% per annum. Repayment of advances is subject to annual appropriation and budget approval from any legally available funds within any fiscal year and not otherwise required for operations, capital improvements, or debt service costs of the District. The obligation to reimburse the Developer shall expire after December 31, 2054, unless terminated earlier by mutual written agreement.

As of December 31, 2016, the balance owed to the Developer was \$449,243, which included \$213,494 of accrued unpaid interest.

**DUS METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)**

**Authorized Debt**

On November 4, 2008, the District's electors authorized the incurrence of general obligation debt totaling \$3,100,000,000 in principal at a rate not to exceed 14%. At December 31, 2016, the District has authorized but unissued indebtedness for the following purposes:

	<b>Authorized November 4, 2008 Election</b>	<b>Authorization Used</b>	<b>Remaining at December 31, 2016</b>
Streets	\$ 300,000,000	\$ -	\$ 300,000,000
Parks and recreation	300,000,000	-	300,000,000
Water supply system	300,000,000	-	300,000,000
Sanitation system	300,000,000	-	300,000,000
Public transportation	300,000,000	-	300,000,000
Mosquito control	300,000,000	-	300,000,000
Traffic safety	300,000,000	-	300,000,000
Fire protection	300,000,000	-	300,000,000
Operations and maintenance	100,000,000	-	100,000,000
Bond refunding	300,000,000	-	300,000,000
Intergovernmental agreements	300,000,000	-	300,000,000
	<u>\$ 3,100,000,000</u>	<u>\$ -</u>	<u>\$ 3,100,000,000</u>

**NOTE 6 - NET POSITION**

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

The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets. As of December 31, 2016, the District had net investment in capital assets in the amount of \$831,388.

**DUS METROPOLITAN DISTRICT NO. 1**  
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**NOTE 6 - NET POSITION (CONTINUED)**

The restricted component of net position include assets 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. The District had a restricted net position as of December 31, 2016, as follows:

Restricted net position:

Emergency reserves	\$ 21,900
Intergovernmental agreement	461,317
Total restricted net position	<u>\$ 483,217</u>

The unrestricted component of net position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

The unrestricted component of net position is a deficit. This deficit amount is the result of the District being responsible for the repayment of Developer advances that were made between 2008 and 2014 for organizational and operational costs.

**NOTE 7 – RELATED PARTIES**

The members of the Board of Directors of the District are employees of, owners of, or associated with the Developer and may have conflicts of interest in dealing with the District.

**NOTE 8 – AGREEMENT WITH DEVELOPER**

On October 6, 2009, the District entered into an Agreement for Project Management Services (Management Agreement) with the Developer. Under the Management Agreement, the Developer is to provide all management services relating to structuring the financing, planning, design, construction, and installation of and obtaining municipal approval for public improvements associated with the public improvements the District and DUS Metropolitan District Nos. 2-5 are authorized to finance and/or construct pursuant to their respective Service Plans. The Developer shall be paid an annual fee of \$20,000 for the first three years of the Management Agreement and, thereafter, at a rate to be determined by mutual written agreement. Payment of the annual fee is subject to annual budgeting and appropriation. The Developer may defer all or a portion of the annual fee until the District has the capacity to fund such annual fee. No payment has been made to date under the Management Agreement.

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

**NOTE 9 - AGREEMENTS**

**Background**

The City and County of Denver (the City) created and organized the Downtown Denver Development Authority (the DDA) to transact business as a development authority. In November of 2008, the City approved that certain Denver Union Station Plan of Development (the DUS Plan) which authorizes the DDA to undertake development and redevelopment projects and activities within the DUS Plan Area (as defined in the 2010 Cooperation Agreement) and to finance such projects and activities with certain incremental property tax revenues.

In 2008, the City created the Denver Union Station Project Authority (DUSPA), for the purpose of financing, designing, constructing, operating, and maintaining certain public improvements within the boundaries of the District and District Nos. 2 and 3, i.e., the DUS Project. To accomplish this purpose, DUSPA issued loans to finance the DUS Project (the DUSPA Loans). Pursuant to certain agreements described below, the District, District No. 2 and District No. 3 made certain pledges to assist with the payment of the DUSPA Loans.

**DDA/DUS District Nos. 1-3 Cooperation and Pledge Agreement**

On June 9, 2010, the District, District No. 2, District No. 3 and the DDA entered into that certain DDA/DUS District Nos. 1-3 Cooperation and Pledge Agreement (the 2010 Cooperation Agreement) whereby the DDA agreed to remit to the District the incremental property tax revenue (TIF) derived from District No. 2 and District No. 3's imposition of any mill levies not pledged under the 2010 Pledge Agreement (defined below), including those revenues required to be transferred by the District to the Regional Transportation District (RTD) as discussed under the RTD Agreement (defined below).

The 2010 Cooperation Agreement was amended and restated in its entirety by that certain Amended and Restated DDA/DUS District Nos. 1-5 Cooperation and Pledge Agreement dated February 3, 2017. See Note 13 – SUBSEQUENT EVENTS.

**DUS Project Mill Levy Pledge Agreement**

The District, District No. 2 and District No. 3 entered into the DUS Project Mill Levy Pledge Agreement with DUSPA and certain lenders on June 22, 2010 (the 2010 Pledge Agreement). Pursuant to the 2010 Pledge Agreement, all revenues derived from the imposition of a mill levy of twenty (20) mills (the DUS Project Mill Levy) on property within District Nos. 2 and 3 are pledged to DUSPA for a period of forty (40) years commencing in 2009 for the repayment of the DUSPA Loans. The 2010 Pledge Agreement acknowledges that until December 23, 2038 (the TIF Term), all property tax increment revenues derived from the imposition of the DUS Project Mill Levy (the DUS Project TIF Revenue) are revenues of the DDA and that, pursuant to a pledge agreement between DUSPA and the DDA, the DDA pledged such revenues to DUSPA for the repayment of the DUSPA Loans. Until the expiration of the TIF Term, to the extent the District receives any DUS Project TIF Revenue, the District agreed to transfer the same to DUSPA. After the expiration of the TIF Term, the District will transfer all DUS Project TIF Revenue to DUSPA.

The 2010 Pledge Agreement was terminated on February 3, 2017. See Note 13 – SUBSEQUENT EVENTS.

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

**NOTE 9 - AGREEMENTS (CONTINUED)**

**RTD Agreement**

The District, District No. 2 and District No. 3 entered into the Intergovernmental Agreement for Denver Union Station Historic Station Zone At-Grade Public Improvement Operation and Maintenance with RTD dated February 11, 2010, as amended (the RTD Agreement), pursuant to which District No. 2 and District No. 3 agreed to impose a levy of ten (10) mills (the O&M Mill Levy) and the District agreed to remit the revenues from the O&M Mill Levy to RTD for the payment of operation and maintenance of certain Historic Station Zone Improvements upon their completion. The revenues received under the RTD Agreement which are to be remitted to RTD total \$461,317 as of December 31, 2016.

**District Nos. 1-3: Facilities Funding, Construction and Operations Agreement**

The District, District No. 2 and District No. 3 entered into the District Nos. 1-3 Facilities Funding, Construction and Operations Agreement dated November 12, 2013 (the FFCOA), whereby the District, as the Management District, agrees to provide administrative services, as well as coordinating, construction and management of certain improvements to District No. 2 and District No. 3. The District agrees to own (subject to transfer to other governmental entities or authorities), operate, maintain, fund and construct certain District Improvements (as defined in the FFCOA) and manage, operate and maintain the Public Space Improvements (as defined in the FFCOA), and District No. 2 and District No. 3 agree to contribute to the cost of the same through the imposition of a mill levy.

**Intergovernmental Agreement for Services between Downtown Denver Business Improvement District and DUS District No. 1**

The District and the Downtown Denver Business Improvement District (the BID) entered into an agreement on January 4, 2016, whereby the BID will provide for care, operation, repair, maintenance and replacement of certain public improvements located within the Tail Tracks Plaza (as defined therein) for the period of one (1) year. The District has agreed to compensate the BID for such services in the amount of \$4,704 per month. The BID and the District anticipate renewing the agreement for 2017.

**NOTE 10 - RISK MANAGEMENT**

Except as provided in the Colorado Governmental Immunity Act, the District may be exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool). 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.

**DUS METROPOLITAN DISTRICT NO. 1**  
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**NOTE 10 - RISK MANAGEMENT (CONTINUED)**

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 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 11 - 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.

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 November 4, 2008, the District's voters approved election questions allowing the District to levy annual taxes and fees of up to \$10,000,000 for operations and maintenance costs and allow the District to collect and spend additional revenue without regard to any spending, revenue raising, or other limitation contained within 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.

**DUS METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 12 - RESTATEMENT OF NET POSITION**

The District restated its net position as of December 31, 2015, for a Developer-related transaction that occurred in 2010. DUSPA agreed to reimburse the Developer for up to \$400,000 in organization costs that the District had previously incurred. In 2010, DUSPA made a \$400,000 payment directly to the Developer. The restatement reduces the District's accrued interest from 2010 through 2015 on Developer advances related to the \$400,000 payment. The \$400,000 principal reduction of the District's obligation to the Developer was offset by a corresponding revenue of \$400,000 from DUSPA and had no effect on net position.

Balance previously presented at December 31, 2015	\$ (948,941)
Accrued interest on developer advances	587,964
Restated beginning net position at December 31, 2015	<u>\$ (360,977)</u>

**NOTE 13 - SUBSEQUENT EVENT**

In 2017, the City, in order to achieve interest rate savings and other economies, entered into a loan agreement to refund the DUSPA Loans (the 2017 Loan). Concurrent with the 2017 Loan, the 2010 Cooperation Agreement was amended and restated and the 2010 Pledge Agreement was terminated. The District, District No. 2 and District No. 3 entered into the DUS Project Mill Levy Pledge Agreement with the City on February 3, 2017 (the 2017 Pledge Agreement) to replace the 2010 Pledge Agreement.

As a result of the 2017 Loans, the District, District No. 2, District No. 3, DUS Metropolitan District No. 4 (District No. 4) and DUS Metropolitan District No. 5 (District No. 5) (collectively, the Districts) amended their respective Service Plans (Amended Service Plans) to increase the debt authorization for each of the Districts and to redefine DUS Project Mill Levy. The Amended Service Plans acknowledge that the DUS Project fully utilized the aggregate debt of \$300,000,000 authorized under the original Service Plans (the Service Plans), the result of which is that no debt authorization remains for financing the construction of District Improvements (as defined in the Service Plans). The Amended Service Plans provide each of the Districts with an additional debt authorization of \$50,000,000 to finance the District Improvements.

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