

NORTHLANDS METROPOLITAN DISTRICT
Broomfield County, Colorado

FINANCIAL STATEMENTS
December 31, 2016



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Dazzio & Associates, PC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Northlands Metropolitan District
Broomfield County, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of the Northlands Metropolitan District 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 Northlands Metropolitan District, 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 Northlands Metropolitan District'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), is 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.

Dassio & Associates, P.C.

December 29, 2017

BASIC FINANCIAL STATEMENTS

**NORTHLANDS METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
December 31, 2016**

	Governmental Activities
ASSETS	
Total assets	\$ -
LIABILITIES	
Noncurrent liabilities	
Due in more than one year	11,934,289
Total liabilities	11,934,289
NET POSITION	
Unrestricted	(11,934,289)
Total net position	\$ (11,934,289)

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

**NORTHLANDS METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
Year Ended December 31, 2016**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Primary government:					
Government activities:					
General government	\$ 15,644	\$ -	\$ -	\$ -	\$ (15,644)
Interest and related costs on long-term debt	5,023,016	-	-	-	(5,023,016)
Dedication of capital assets to other entity	6,895,629	-	-	-	(6,895,629)
	<u>\$ 11,934,289</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(11,934,289)</u>
General revenues:					
Total general revenues					-
Change in net position					(11,934,289)
Net position - Beginning					-
Net position - Ending					<u>\$ (11,934,289)</u>

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

**NORTHLANDS METROPOLITAN DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2016**

	General	Capital Projects	Total Governmental Funds
ASSETS			
TOTAL ASSETS	\$ -	\$ -	\$ -
LIABILITIES AND FUND BALANCES			
Total liabilities	\$ -	\$ -	\$ -
FUND BALANCES			
Total fund balances	-	-	-
TOTAL LIABILITIES AND FUND BALANCES	\$ -	\$ -	

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

Long-term liabilities, including bonds payable and interest payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Developer advance payable	(6,911,273)
Accrued interest on developer advance	(5,023,016)
Net position of governmental activities	\$ (11,934,289)

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

NORTHLANDS METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended December 31, 2016

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
REVENUES			
Total revenues	\$ -	\$ -	\$ -
EXPENDITURES			
Current			
Prior years operating costs	15,644	-	15,644
Capital outlay	-	6,895,629	6,895,629
Total expenditures	<u>15,644</u>	<u>6,895,629</u>	<u>6,911,273</u>
OTHER FINANCING SOURCES (USES)			
Developer advance	15,644	6,895,629	6,911,273
Total other financing sources (uses)	<u>15,644</u>	<u>6,895,629</u>	<u>6,911,273</u>
NET CHANGE IN FUND BALANCES	-	-	-
FUND BALANCES - BEGINNING OF YEAR	-	-	-
FUND BALANCES - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

**NORTHLANDS METROPOLITAN DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2016**

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

Net change in fund balances - Total governmental funds	\$	-
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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.

Dedication of capital assets to other governments		6,895,629
Capital outlay		(6,895,629)

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. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Developer advances		(6,911,273)
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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.

Accrued interest developer advance		<u>(5,023,016)</u>
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Changes in net position of governmental activities		<u><u>\$ (11,934,289)</u></u>
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These financial statements should be read only in connection with
the accompanying notes to financial statements.

**NORTHLANDS METROPOLITAN DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2016**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Total revenues	\$ -	\$ -	\$ -
EXPENDITURES			
Current			
Accounting	15,000	-	15,000
Insurance	3,000	-	3,000
District management	15,000	-	15,000
Dues and memberships	400	-	400
Legal	15,000	-	15,000
Prior years operating costs	25,693	15,644	10,049
Contingency	1,600	-	1,600
Total expenditures	<u>75,693</u>	<u>15,644</u>	<u>60,049</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(75,693)</u>	<u>(15,644)</u>	<u>60,049</u>
OTHER FINANCING SOURCES (USES)			
Developer advance	75,693	15,644	(60,049)
Total other financing sources (uses)	<u>75,693</u>	<u>15,644</u>	<u>(60,049)</u>
NET CHANGE IN FUND BALANCE	-	-	-
FUND BALANCES - BEGINNING OF YEAR	-	-	-
FUND BALANCES - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

**NORTHLANDS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 2016**

NOTE 1 - DEFINITION OF REPORTING ENTITY

Northlands Metropolitan District (District), a quasi-municipal corporation and political subdivision of the State of Colorado, was organized by order and decree of the District Court, Broomfield County, Colorado on November 17, 2005, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District operates under a Service Plan approved by the City and County of Broomfield (the City and County) on August 26, 2005 and was modified on February 27, 2007. The District's service area is located in the City and County of Broomfield, Colorado. The District was established to provide to provide financing for the design, acquisition, installation and construction of water, streets, traffic and safety controls, parks and recreation, sewer and drainage facilities, mosquito control, public transportation systems, television relay and operations and maintenance of the District.

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

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. Governmental activities are normally supported by taxes and inter-governmental revenues.

The statement of net position reports all financial and capital resources of the District.

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.

**NORTHLANDS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 2016**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District. The District determined that Developer advances are not considered as revenue susceptible to accrual. 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.

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 and other financing uses 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.

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 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.

**NORTHLANDS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 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 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.

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.

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.

**NORTHLANDS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 2016**

NOTE 3 - CASH AND INVESTMENTS

At December 31, 2016, the District had no cash and investments.

NOTE 4 - CAPITAL ASSETS

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

	Balance at December 31, 2015	Increases	Decreases	Balance at December 31, 2016
Governmental activities				
Fixed assets, not being depreciated:				
Construction in progress	\$ -	\$6,895,629	\$6,895,629	\$ -
Total fixed assets, not being depreciated	-	6,895,629	6,895,629	-
Total capital assets	<u>\$ -</u>	<u>\$6,895,629</u>	<u>\$6,895,629</u>	<u>\$ -</u>

During 2016, the capital assets acquired by the District were conveyed to other governmental entities. The costs of all capital assets transferred to other governmental entities were removed from the District's financial records.

NOTE 5 - LONG-TERM OBLIGATIONS

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

	Balance at December 31, 2015	New Issues	Refundings/ Retirements	Balance at December 31, 2016	Due Within One Year
Developer advance	\$ -	\$ 6,911,273	\$ -	\$ 6,911,273	\$ -
Accrued interest on advances	-	5,023,016	-	5,023,016	-
	<u>\$ -</u>	<u>\$ 11,934,289</u>	<u>\$ -</u>	<u>\$ 11,934,289</u>	<u>\$ -</u>

The details of the District's long-term obligations are further detailed in Note 9 - Agreements.

**NORTHLANDS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 2016**

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

Authorized Debt

On November 1, 2005, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$317,651,030 at an interest rate not to exceed 12% per annum. At December 31, 2016, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

	Amount Authorized On November 1, 2005	Authorization Used	Authorized But Unissued
Street improvements	\$ 59,767,077	\$ -	\$ 59,767,077
Water supply	2,644,495	-	2,644,495
Sanitary sewer	9,029,257	-	9,029,257
Public transportation	1,908,793	-	1,908,793
Traffic and safety	1,622,679	-	1,622,679
Park and recreation	6,678,729	-	6,678,729
Mosquito control	500,000	-	500,000
Television relay and translation	500,000	-	500,000
Construction management	5,000,000	-	5,000,000
Operations and maintenance	5,000,000	-	5,000,000
Intergovernmental contracts	75,000,000	-	75,000,000
Reimbursement agreements	75,000,000	-	75,000,000
Debt refunding	75,000,000	-	75,000,000
	<u>\$ 317,651,030</u>	<u>\$ -</u>	<u>\$ 317,651,030</u>

Pursuant to the Service Plan, the District is permitted to issue bond indebtedness of up to \$82,100,000. Any debt issued above this amount is subject to the City's review and also limits the debt service mill levy to 50.000 mills, as adjusted for changes in the ratio of actual value to assessed value of property within the District.

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.

NOTE 6 - NET POSITION

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

The District has a deficit in unrestricted net position.

The deficit was a result of the District being responsible for the repayment of developer advances for public improvements which were conveyed to other governmental entities and which costs were removed from the District's financial records.

**NORTHLANDS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 2016**

NOTE 7 - RELATED PARTY

The Developer of the property was Northlands Colorado, LLC and during 2016 the Developer which now constitutes the District is IKEA Property, Inc. The majority members of the Board of Directors are employees, owners or otherwise associated with the Developer, and may have conflicts of interest in dealing with the District.

NOTE 8 - ECONOMIC DEPENDENCY

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

NOTE 9 - AGREEMENTS

Developer Advances

The District has entered into Funding and Reimbursement Agreement(s) with the Developer as follows:

Reimbursement and Acquisition Agreement

On January 25, 2008, the District entered into a Reimbursement and Acquisition Agreement with Northlands Colorado, LLC to repay advances made by the Developer for capital infrastructure costs. The District agreed to repay the Developer for such capital advances, not to exceed \$82,100,000 plus accrued interest at the rate of 7.0%. During 2016, Northlands Colorado, LLC assigned this Agreement to IKEA Property, Inc. As of December 31, 2016, outstanding advances under the agreement totaled \$6,895,629 and accrued interest totaled \$5,012,627.

Operation Funding and Reimbursement Agreement

On January 25, 2008, the District entered into an Operation Funding and Reimbursement Agreement, via board Resolution, with Northlands Colorado, LLC, to repay advances made by the Developer for operations and maintenance (O&M) costs. The District agreed to repay the Developer for such O&M advances plus accrued interest at the rate of 7.0%. During 2016, Northlands Colorado, LLC assigned this Agreement to IKEA Property, Inc. As of December 31, 2016, outstanding advances under the agreement totaled \$15,644 and accrued interest totaled \$10,389.

**NORTHLANDS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 2016**

NOTE 9 - AGREEMENTS (CONTINUED)

Amended and Restated Redevelopment and Reimbursement Agreement

On February 27th, 2007, the District entered into the Amended and Restated Redevelopment and Reimbursement Agreement with the Broomfield Urban Renewal Authority (the Authority) and Northlands Colorado, LLC. for the purpose to: (a) eliminate blight and otherwise implement and further the purposes of the North Park West Urban Renewal Project (the Project) as described in the Urban Renewal Plan for the North Park Urban Renewal Project approved by the Authority on April 27, 2004 (the Plan); and (b) further the policy of the City as embodied in Ordinance No. 1344, Chapter 3-40 of the Broomfield Municipal Code in connection with the development of the Property by facilitating the construction of the Private Improvements and the Eligible Public Improvements. Such improvements are expected to further the purposes and goals of the Plan, generate substantial new sales and use tax revenues and extraordinary public benefits for the City.

Under this Agreement, in exchange for the anticipated improvements, the District will receive property tax increment revenues at 80% of the total property tax increment revenues and 50% of the City's portion of the sales tax increment revenues, to use toward pledged revenue for the anticipated District bonded indebtedness. The District agreed to issue a portion of the District bonds on or before December 31, 2007 and to design and commence construction of at least 100,000 square feet of eligible retail improvements on or before March 1, 2008 with completion of construction of the eligible retail improvements no later than December 31, 2014.

Due to the downturn in the economy, the District has exercised its rights of Enforced Delay in Performance for causes Beyond Control of the Party, as dictated in Section 6.6 of the Agreement.

During 2016, the District entered into the Supplement to the Amended and Restated Redevelopment and Reimbursement Agreement with the Authority and IKEA Property, Inc. The Supplement to the Agreement assigns IKEA, Property, Inc. as the Owner of the property to replace Northlands Colorado, LLC. as the Owner and to assign the agreement and its rights to the new Owner. The term of the Agreement shall terminate on April 27, 2039.

Cooperation Agreement

On August 9, 2016, the District entered into the Cooperation Agreement with the Authority and IKEA Property, Inc. for the purposes of carrying out the undertaking of the Plan. The District is cooperating with the City and County and the Authority to carry out the Plan and the Project and as such, the Parties entered into this Cooperation Agreement to facilitate the construction of certain public improvements in the Urban Renewal Area.

The Authority agrees to deposit into the Metro TIF Account, all of the property and sales tax increment revenues calculated, produced, allocated, and paid to the Authority as a result of (i) the District's mill levy to pay its normal and reasonable operating and maintenance expenses (ii) the District's mill levy to pay the District Bonds as provided in Section 4 of the Restated Reimbursement Agreement, and (iii) the City and County's pledge of 50% of the sales tax revenues produced by the imposition by the City and County of its 3.50% sales tax related to the Project, after deducting the lesser of 10% of such amount or \$100,000, which deducted

**NORTHLANDS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 2016**

NOTE 9 - AGREEMENTS (CONTINUED)

amount is allocated for open space pursuant to the terms of the Intergovernmental Agreement between the City and County and the Town of Erie. Such revenues, collectively are the "Metro Property TIF". The Metro Property TIF commenced on December 14, 2004 and shall terminate on December 14, 2027.

The Authority agrees to deposit into a separate Sales Tax Extension Account all revenue from the City and County's pledge of 50% of the sales tax revenues produced by the imposition by the City and County of its 3.50% sales tax related to the Project commencing on December 15, 2027 and shall terminate on December 14, 2039.

The use and expenditure of revenues from the Metro TIF and Sales Tax Extension Accounts shall be utilized by the Authority in accordance with the Plan, Restated Redevelopment Agreement, and Supplement; revenues may be paid by the Authority to the District, Owner, or other authorized party; in the event District Bonds are issued by the District, any security pledge authorized or approved by the Authority in accordance with the Plan, Restated Redevelopment Agreement, or other instrument or agreement shall have priority over all other expenditures or use of the revenues.

NOTE 10 - 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, property and public officials liability. 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 that apply to the State of Colorado and all local governments.

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

**NORTHLANDS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 2016**

NOTE 11 - TAX, SPENDING AND DEBT LIMITATIONS (CONTINUED)

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. As of December 31, 2016, the District had no operating revenue and therefore did not fund an Emergency Reserve.

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.

On November 1, 2005, the District's voters authorized the District to increase property taxes \$1,000,000 annually, or such higher amount as is necessary so as to result in net revenue of up to \$1,000,000 annually. Additionally, 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 TABOR.

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

SUPPLEMENTARY INFORMATION

**NORTHLANDS METROPOLITAN DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2016**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Total revenues	\$ -	\$ -	\$ -
EXPENDITURES			
Capital outlay			
Water	13,000,000	868,355	12,131,645
Streets	-	691,378	(691,378)
Sanitation	-	4,578,476	(4,578,476)
Transportation	-	110,278	(110,278)
Parks and recreation	-	647,142	(647,142)
Total expenditures	<u>13,000,000</u>	<u>6,895,629</u>	<u>6,104,371</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(13,000,000)</u>	<u>(6,895,629)</u>	<u>6,104,371</u>
OTHER FINANCING SOURCES (USES)			
Developer advance	<u>13,000,000</u>	<u>6,895,629</u>	<u>(6,104,371)</u>
Total other financing sources (uses)	<u>13,000,000</u>	<u>6,895,629</u>	<u>(6,104,371)</u>
NET CHANGE IN FUND BALANCES	-	-	-
FUND BALANCES - BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>