

NORTHERN COMMERCE METROPOLITAN DISTRICT  
Adams County, Colorado

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS  
December 31, 2017

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Office of the State Auditor

July 10, 2018

## TABLE OF CONTENTS

	PAGE
<b>INDEPENDENT AUDITOR’S REPORT ON FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION</b> .....	I
<b>BASIC FINANCIAL STATEMENTS</b>	
<b>Government-wide Financial Statements:</b>	
Statement of Net Position .....	1
Statement of Activities.....	2
<b>Fund Financial Statements:</b>	
Governmental Funds	
Balance Sheet - Governmental Funds.....	3
Statement of Revenues, Expenditures and Changes in Fund Balances- Governmental Funds.....	4
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	5
General Fund - Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual.....	6
Notes to Financial Statements.....	7
<b>SUPPLEMENTAL INFORMATION</b>	
Debt Service Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual .....	20
Capital Projects Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual.....	21
Schedule of Debt Service Requirements to Maturity .....	22
Summary of Assessed Valuation, Mill Levy and Property Taxes Collected.....	23



**Haynie &  
Company**

**Certified Public Accountants** (a professional corporation)

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## **Independent Auditor's Report**

Members of the Board of Directors  
Northern Commerce Metropolitan District

We have audited the accompanying financial statements of the governmental activities and the major funds of Northern Commerce Metropolitan District as of and for the year ended December 31, 2017 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 an opinion 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major funds of Northern Commerce Metropolitan District, as of December 31, 2017 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.



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## **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 an opinion on the financial statements that collectively comprise Northern Commerce Metropolitan District's financial statements as a whole. The supplementary information section is presented for purposes of additional analysis and is not a required part of the financial statements.

The supplementary information as listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Littleton, Colorado  
July 3, 2018

## **BASIC FINANCIAL STATEMENTS**

**NORTHERN COMMERCE METROPOLITAN DISTRICT  
STATEMENT OF NET POSITION  
December 31, 2017**

	<u><b>Governmental Activities</b></u>
<b>ASSETS</b>	
Cash	\$ 154,781
Investments - restricted	114,363
Receivable - County Treasurer	2,121
Property taxes receivable	302,364
Prepaid expenses	2,251
Total assets	<u>575,880</u>
<b>LIABILITIES</b>	
Accounts payable	1,185
Accrued note interest payable	9,318
Noncurrent liabilities:	
Due in one year	115,000
Due in more than one year	3,145,000
Total liabilities	<u>3,270,503</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Property tax revenues	302,364
Total liabilities and deferred inflows of resources	<u>3,572,867</u>
<b>NET POSITION</b>	
Restricted for:	
Emergency reserves	2,000
Debt service	225,347
Unrestricted (deficit)	<u>(3,224,334)</u>
Total net position (deficit)	<u>\$ (2,996,987)</u>

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

**NORTHERN COMMERCE METROPOLITAN DISTRICT  
STATEMENT OF ACTIVITIES  
Year Ended December 31, 2017**

<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	\$ 49,757	\$ -	\$ -	\$ -	\$ (49,757)
Dedication of capital assets to other government	242,742				(242,742)
Interest and related costs on long-term debt	239,184	-	-	-	(239,184)
	<u>\$ 531,683</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(531,683)</u>
General revenues:					
Property taxes					269,723
Specific ownership taxes					26,152
Facility fees					40,886
Net investment income					1,270
Total general revenues					<u>338,031</u>
Change in net position					(193,652)
Net position (deficit) - Beginning					<u>(2,803,335)</u>
Net position (deficit) - Ending					<u>\$ (2,996,987)</u>

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

**NORTHERN COMMERCE METROPOLITAN DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2017**

	<b>General</b>	<b>Debt Service</b>	<b>Capital Projects</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Cash	\$ 45,549	\$ 109,232	\$ -	\$ 154,781
Investments - restricted	-	114,363	-	114,363
Receivable - County	369	1,752	-	2,121
Prepaid expenses	2,251	-	-	2,251
Property taxes receivable	47,034	255,330	-	302,364
<b>TOTAL ASSETS</b>	<b>\$ 95,203</b>	<b>\$ 480,677</b>	<b>\$ -</b>	<b>\$ 575,880</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	1,185	-	-	1,185
Total liabilities	1,185	-	-	1,185
<b>DEFERRED INFLOW OF RESOURCES</b>				
Property tax revenue	47,034	255,330	-	302,364
Total liabilities & deferred inflows	48,219	255,330	-	303,549
<b>FUND BALANCES</b>				
Nonexpendable:				
Prepaid expenses	2,251	-	-	2,251
Restricted for:				
Emergency reserves (TABOR)	2,000	-	-	2,000
Debt service	-	225,347	-	225,347
Assigned to:				
Unassigned	42,733	-	-	42,733
Total fund balances	46,984	225,347	-	272,331
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 95,203</b>	<b>\$ 480,677</b>	<b>\$ -</b>	

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

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

Note payable	(3,260,000)
Accrued note interest payable	(9,318)
Net position (deficit) of governmental activities	<b>\$ (2,996,987)</b>

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

**NORTHERN COMMERCE METROPOLITAN DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended December 31, 2017**

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Property taxes	\$ 46,932	\$ 222,791	\$ -	\$ 269,723
Specific ownership taxes	4,590	21,562	-	26,152
Facility fees	40,886	-	-	40,886
Net investment income	409	861	-	1,270
Total revenues	<u>92,817</u>	<u>245,214</u>	<u>-</u>	<u>338,031</u>
<b>EXPENDITURES</b>				
Current				
Accounting	23,145	-	-	23,145
Auditing	-	6,000	-	6,000
Legal	11,856	-	-	11,856
Directors' fees	700	-	-	700
Dues and memberships	322	-	-	322
County Treasurer's fees	706	3,353	-	4,059
Insurance and bonds	2,251	-	-	2,251
Miscellaneous	124	-	-	124
Debt service				
Bond interest	-	46,661	34,508	81,169
Bond principal	-	120,000	-	120,000
Developer advance	74,320	-	-	74,320
Developer advance interest	24,945	-	-	24,945
Paying agent fees	-	1,300	-	1,300
Total expenditures	<u>138,369</u>	<u>177,314</u>	<u>34,508</u>	<u>350,191</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(45,552)</u>	<u>67,900</u>	<u>(34,508)</u>	<u>(12,160)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer in	-	37,430	-	37,430
Transfer (out)	-	-	(37,430)	(37,430)
Repayment of Developer Advances	-	-	(807,462)	(807,462)
Bond issuance cost	-	-	(140,600)	(140,600)
Bond proceeds	-	-	3,380,000	3,380,000
Bond principal paid in bond refinancing	-	-	(2,360,000)	(2,360,000)
Total other financing sources (uses)	<u>-</u>	<u>37,430</u>	<u>34,508</u>	<u>71,938</u>
<b>NET CHANGE IN FUND BALANCES</b>	(45,552)	105,330	-	59,778
<b>FUND BALANCES - BEGINNING OF YEAR (RESTATED)</b>	<u>92,536</u>	<u>120,017</u>	<u>-</u>	<u>212,553</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 46,984</u>	<u>\$ 225,347</u>	<u>\$ -</u>	<u>\$ 272,331</u>

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

**NORTHERN COMMERCE 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, 2017**

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

Net changes in fund balances-Total governmental funds	\$	59,778
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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:

Current year bond issuance		(3,380,000)
Current year bond principal payment		120,000
Developer advances		(232,392)
Payment of developer advances		639,040
Defeasance of 2014 bonds		2,360,000
Dedication of capital assets to other governments		242,742

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.

Change in accrued interest on bonds payable		(2,820)
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Change in net position of governmental activities	\$	<u>(193,652)</u>
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These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**NORTHERN COMMERCE METROPOLITAN DISTRICT  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
Year Ended December 31, 2017**

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>			
Property taxes	\$ 47,013	\$ 46,932	\$ (81)
Specific ownership taxes	3,470	4,590	1,120
Net investment income	600	409	(191)
Facility fees	40,000	40,886	886
Total revenues	<u>91,083</u>	<u>92,817</u>	<u>1,734</u>
<b>EXPENDITURES</b>			
Current			
Accounting	21,535	23,145	(1,610)
County Treasurer's fees	1,140	706	434
Directors' fees	1,600	700	900
Dues and memberships	360	322	38
Insurance and bonds	2,400	2,251	149
Legal services	20,000	11,856	8,144
Miscellaneous	300	124	176
Contingency	3,400	-	3,400
Repayment of Developer advance	74,320	74,320	-
Interest on Developer advance	24,945	24,945	-
Total expenditures	<u>150,000</u>	<u>138,369</u>	<u>11,631</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(58,917)</u>	<u>(45,552)</u>	<u>13,365</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer in (out)	<u>(20,000)</u>	<u>-</u>	<u>20,000</u>
Total other financing sources (uses)	<u>(20,000)</u>	<u>-</u>	<u>20,000</u>
<b>NET CHANGE IN FUND BALANCE</b>	(78,917)	(45,552)	<u>\$ 33,365</u>
<b>FUND BALANCE - BEGINNING OF YEAR (RESTATED)</b>			
	<u>85,459</u>	<u>92,536</u>	
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 6,542</u>	<u>\$ 46,984</u>	

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

**NORTHERN COMMERCE METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 1 - DEFINITION OF REPORTING ENTITY**

Northern Commerce Metropolitan District (District), a quasi-municipal corporation, was organized on November 10, 2004, and is governed pursuant to provisions of the Colorado Special District Act (Title 32). The District operates under a service plan approved by Commerce City (City) on September 20, 2004. The District's service area is located in Adams County, Colorado entirely within the boundaries of the City. The District was established to provide financing for the design, acquisition, construction and installation of streets, traffic and safety controls, park and recreation, transportation, television relay and translator, mosquito control, water facilities, sanitary sewer, and storm drainage.

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. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by property taxes.

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

**NORTHERN COMMERCE METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

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

The statement of activities demonstrates the degree to which the direct 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. Redemption of bonds is 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 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 property taxes. 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 paid.

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. Revenues are derived primarily from property taxes, other taxes and interest income.

The Debt Service Fund accounts for the resources that are restricted, committed or assigned for principal and interest on long-term general obligation debt of the govern-

**NORTHERN COMMERCE METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

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

mental funds, as well as financial resources being accumulated for future debt service.

The Capital Projects Fund is used to account for financial resources that are restricted, committed or assigned to 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 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.

**Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position**

***Cash and Investments***

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

***Property Taxes***

Property taxes are levied by the District 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.

**NORTHERN COMMERCE METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

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

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

***Deferred Outflows of Resources and Deferred Inflows of Resources***

A deferred inflow of resources is an acquisition of net position by a government that is applicable to a future reporting period and a deferred outflow of resources is a consumption of net position by a government that is applicable to a future reporting period. Both deferred inflows and outflows are reported in the statement of net position but are not recognized in the financial statement as revenues and expenses until the period(s) to which they relate. Deferred inflows of resources in the governmental fund financial statements of the District for the year ended December 31, 2017 are comprised of property taxes due from Adams County that will not be collected within 60 days of the end of the current fiscal year. Deferred inflows of resources in the government-wide financial statements represents property taxes for which an enforceable legal claim to assets exists, but for which the levy pertains to the subsequent year.

***Capital Assets***

Capital assets, which include infrastructure assets (e.g. road, bridges, sidewalks, and similar items), are reported in the applicable governmental activity column 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.

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.

***Long-term Liabilities***

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Long-term debt is reported gross.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**NORTHERN COMMERCE METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

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

**Fund Balance – Governmental Funds**

The fund balances for the District’s governmental funds are displayed in up to five components:

*Nonspendable* – amounts that are not in a spendable form or are required to be maintained intact.

*Restricted* – amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers. Restricted fund balance consists of the following:

- Emergency Reserves of \$2,000 have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado (see Note 8).
- The restricted fund balance in the Debt Service Fund in the amount of \$225,347 is to be used exclusively for the payment of future general obligation note principal, interest and related costs.

*Committed* – amounts that can be used only for the specific purposes determined by resolution of the Board. Commitments may be changed or lifted only by issuance of a resolution by the District’s Board. There is no committed fund balance for the year ended December 31, 2017.

*Assigned* – Amounts intended to be used by the District for specific purposes as determined by management. In governmental funds other than the General Fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund. Assigned fund balance in the capital projects fund consists of amounts encumbered for subsequent years expenditures.

*Unassigned* – the residual classification for the General Fund and includes all amounts not contained in the other classifications.

The District considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. The District applies committed amounts first, followed by assigned amounts, and then unassigned amounts when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

**NORTHERN COMMERCE METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 3 - CASH AND INVESTMENTS**

Cash and investments as of December 31, 2017 consist of the following:

Statement of net position:

Deposit with financial institution	<u>\$ 154,781</u>
Total cash and investments	<u>\$ 154,781</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 equal to 102% of the aggregate uninsured deposits.

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

**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 disclosure requirements or subject to investment custodial risk 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.

**NORTHERN COMMERCE METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

**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
- . 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.

As of December 31, 2017, the District had the following investments:

<b>Investment</b>	<b>Maturity</b>	<b>Fair Value</b>
Federated Treasury Money Market Fund	Less than 1 year	<u>\$ 114,363</u>

**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 and money market funds.

**Federated Treasury Money Market Fund**

The debt service money that was included in the trust accounts at United Missouri Bank (UMB) was invested in the Federated Treasury Obligations Fund. This portfolio is a money market mutual fund which invests in U.S. Treasury obligations which are fully guaranteed as to principal and interest by the United States of America, with maturities of 12 months or less and repurchase agreements collateralized by U.S. Treasury obligations. The Federated Treasury Obligation Fund is rated AAAM by Standard & Poors. These funds are valued using Level 1 inputs.

**NORTHERN COMMERCE METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

**NOTE 4 - LONG-TERM OBLIGATIONS**

The following is an analysis of the changes in long-term obligations for the year ended December 31, 2017:

	<b>Balance at December 31, 2017</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance at December 31, 2018</b>	<b>Due Within One Year</b>
2014 G.O. Note	\$ 2,360,000	\$ -	\$ 2,360,000	\$ -	\$ -
2017 G.O. Bonds	-	3,380,000	120,000	3,260,000	115,000
Developer advances payable	639,041	242,742	881,783	-	-
Interest on Developer advances	10,349	14,596	24,945	-	-
	<u>\$ 3,009,390</u>	<u>\$ 3,637,338</u>	<u>\$ 3,386,728</u>	<u>\$ 3,260,000</u>	<u>\$ 115,000</u>

**2014 General Obligation Note**

On June 25, 2014, the District issued a \$2,600,000 Limited Tax General Obligation Note (Limited Tax Convertible to Unlimited Tax) dated June 25, 2014, for infrastructure improvements and to pay in full the 2010 General Obligation Bonds and the GID Note Payable, including accrued interest (less concession of \$39,330 in penalties for paying the debt off before maturity). The proceeds of the Note were used to pay off existing debt which contained a higher interest rate so that the District would incur less interest expense. The Note was due December 1, 2024, with an interest of 3.29%, paid semiannually on June 1 and December 1. The note was paid in full with the proceeds from the issuance of the 2017 General Obligation Bonds at a net present value savings of \$(151,524).

The Note was payable from pledged revenue, including the District's covenant to levy the required mill levy on all taxable property within the District to pay for debt scheduled payments as well as a portion of specific ownership taxes collected by the District as a result of the imposition of the required mill levy.

**2017 General Obligation Bonds**

The general obligation bonds of \$3,380,000 issued in 2017 were used to refund the 2014 General Obligation Bonds and provided \$807,462 of funds for capital projects. The bonds are subject to mandatory sinking fund redemption every December 1 in increasing amounts through maturity. The interest rate on the note is 3.43% per annum and the bonds will mature on December 1, 2037. The resultant benefit to the district, besides funding of new improvements, was to consolidate and extend the debt service for the term of 20 years.

**NORTHERN COMMERCE METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

**NOTE 4 - LONG-TERM OBLIGATIONS (CONTINUED)**

The bonds are secured by the Pledged Revenues and all moneys and earnings thereon held in the Funds or accounts created under the terms of the Indenture of Trust dated November 1, 2017, between the District and UMB, as trustee. Pledged Revenues consists of revenues derived from the imposition of the Required Mill Levy remitted to the District. During 2017, the District collected pledged revenues net of costs of \$245,214, of which, \$166,661 was applied to the bond interest and principal payment.

Prior to the time when the debt to assessed ratio is less than 50%, the District is required to impose a mill levy sufficient to pay principal and interest on the bonds as they come due, but not less than 41.500 mills or more than 50.000 mills, as adjusted by the Gallagher amendment, on the assessed valuation of the District.

The maximum adjusted mill levy the District can impose for debt service is 50.000 mills. During 2017, the District collected taxes based on a mill levy of 46.000 mills, 8.000 for operations and 38.000 for debt service. At December 31, 2017, the District levied 45.000 mills for collections in 2018; 7.000 mills for operations and 38.000 mills for debt service.

Outstanding bond principal and interest mature as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 115,000	\$ 111,818	\$ 226,818
2019	120,000	107,874	227,874
2020	125,000	103,758	228,758
2021	130,000	99,470	229,470
2022	135,000	95,011	230,011
2023-2027	730,000	403,197	1,133,197
2028-2032	870,000	269,084	1,139,084
2033-2037	1,035,000	105,558	1,140,558
	<u>\$ 3,260,000</u>	<u>\$ 1,295,768</u>	<u>\$ 4,555,768</u>

**NORTHERN COMMERCE METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

**NOTE 4 - LONG-TERM OBLIGATIONS (CONTINUED)**

**Developer Advances Payable**

On December 10, 2004, the District entered into an Advance and Reimbursement Agreement with the Developer to repay the Developer for organizational and operational costs. The District shall repay operational advances plus 7%, subject to the annual appropriation of funds by the District upon a determination by the Board that funds are available for this repayment. The District shall repay organization costs without interest, subject to the annual appropriation of funds by the District upon a determination by the Board that funds are available for the repayment. At December 31, 2017, the District paid the Developer \$74,320 plus \$24,945 of accrued interest for operational advances under the terms of this agreement.

On September 26, 2006, the District entered into an Infrastructure Acquisition Agreement, and subsequently entered into a First Amendment to Infrastructure Acquisition Agreement dated July 13, 2010, with SW North Range, LLC, to purchase and acquire public infrastructure improvements from the Developer, without interest, for capital improvement costs. The District's payment obligation pursuant to this agreement is subject to annual appropriation. The total due of \$807,462 was paid to the Developer in 2017 from the new bond issuance proceeds.

**Debt Authorization**

On November 4, 2004, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$46,422,040 at an interest rate not to exceed 18% per annum.

	<b>Authorized November 11, 2004 Election</b>	<b>Amount Used by prior debt issuances</b>	<b>Authorization Used, Series 2017 Bonds</b>	<b>Remaining at December 31, 2017</b>
Street improvements	\$ 10,461,400	\$ 1,088,765	\$ 59,478	\$ 9,313,157
Safety protection	932,600	18,999	117,317	796,284
Water	3,367,100	628,555	358,407	2,380,138
Sanitation	2,794,700	853,494	247,065	1,694,141
Parks and recreation	2,273,200	-	25,195	2,248,005
Public transportation	2,092,280	-	-	2,092,280
TV relay	793,160	-	-	793,160
Mosquito control	396,580	-	-	396,580
Operations	200,000	-	-	200,000
Bond refunding	23,111,020	-	2,360,000	20,751,020
	<u>\$ 46,422,040</u>	<u>\$ 2,589,813</u>	<u>\$ 3,167,462</u>	<u>\$ 40,664,765</u>

**NORTHERN COMMERCE METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

**NOTE 4 - LONG-TERM OBLIGATIONS (CONTINUED)**

The service plan limits the District’s debt service mill levy to a maximum mill levy of 50.000 mills provided, however, that in the event the method of calculating the assessed valuation is changed after the date of the approved service plan, the mill levy limitation applicable to such debt may be increased or decreased to reflect such changes.

**NOTE 5-CAPITAL ASSETS**

In 2017 the District paid the Developer \$807,463 for Developer advance on capital outlay. The capital assets were conveyed to a local water district.

An analysis of the changes in capital assets for the year ended December 31, 2017 follows:

December 31, 2016	Additions	Retirements /Transfers	December 31, 2017
<u>\$ 564,721</u>	<u>\$ 242,742</u>	<u>\$ (807,463)</u>	<u>\$ -</u>

**NOTE 6- RELATED PARTIES**

Under the Service Plan, the organizer of the District was Southwestern Investment Group, LLC (SWIG), a Colorado limited liability company. The Developers of the land within the District are SW North Range, LLC, SW 104<sup>th</sup>, LLC, SW Buckley, LLC and SW Chambers, LLC, Colorado limited liability companies, affiliates of SWIG. For purposes of this audit, references to the Developers shall include all four LLCs. The current members of the Board of Directors of the District are owners or associated with the Developers or its management and may have conflicts of interest in dealing with the District.

An affiliate of the Developers, Southwestern Property Corp. (SWPC) provided accounting services to the District in 2017 for total fees of \$23,145.

**NORTHERN COMMERCE METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 7 - NET POSITION**

The District has net position consisting of two components - restricted and unrestricted.

Restricted assets include net position 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 restricted net position of \$227,347 as of December 31, 2017, as follows:

Restricted Net Assets:

Emergency reserves	\$ 2,000
Debt service	<u>225,347</u>
	<u>\$ 227,347</u>

The District's unrestricted net position (deficit) as of December 31, 2017 totaled \$(3,224,334). This deficit amount was a result of the District being responsible for the repayment of debt and developer advances for public improvements conveyed to other governmental entities.

**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) as of December 31, 2017. 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 two fiscal years.

The District pays annual premiums to the Pool for liability, property 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.

**NORTHERN COMMERCE METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

**NOTE 9 - TAX, SPENDING AND DEBT LIMITATIONS**

Article X, Section 20 of the Colorado Constitution, referred to 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 7, 2006, District voters authorized the District to increase property taxes \$750,000 annually, without limitation to rate, to pay the District's operations, maintenance and other expenses. Additionally, the District voters approved a revenue change to allow the District to retain and spend all revenue, other than ad valorem taxes, in excess of TABOR spending, revenue raising or other limitations.

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

**NOTE 10-PRIOR PERIOD RESTATEMENT**

In 2017 the District reclassified the 2016 Facility Fee Revenue to the General Fund from the Debt Service Fund, due to the restriction on these fees no longer being restricted for debt service. As a result the beginning fund balances of the General and the Debt service fund were restated by \$43,663. The net change in the beginning balance of the total governmental funds balance was \$0.

## **SUPPLEMENTAL INFORMATION**

**NORTHERN COMMERCE METROPOLITAN DISTRICT  
DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
Year Ended December 31, 2017**

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>			
Property taxes	\$ 223,310	\$ 222,791	\$ (519)
Specific ownership taxes	14,000	21,562	7,562
Interest income	600	861	261
Total revenues	<u>237,910</u>	<u>245,214</u>	<u>7,304</u>
<b>EXPENDITURES</b>			
County Treasurer's fee	4,300	3,353	947
Audit	6,500	6,000	500
Principal paid	120,000	120,000	-
Interest expense	100,000	46,661	53,339
Paying agent/trustee fees	3,000	1,300	1,700
Contingency	10,700	-	10,700
Total expenditures	<u>244,500</u>	<u>177,314</u>	<u>67,186</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(6,590)</u>	<u>67,900</u>	<u>74,490</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer in	<u>20,000</u>	<u>37,430</u>	<u>17,430</u>
Total other financing sources (uses)	<u>20,000</u>	<u>37,430</u>	<u>17,430</u>
<b>NET CHANGE IN FUND BALANCE</b>	13,410	105,330	<u>\$ 91,920</u>
<b>FUND BALANCE - BEGINNING OF YEAR (RESTATED)</b>	<u>37,199</u>	<u>120,017</u>	
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 50,609</u>	<u>\$ 225,347</u>	

**NORTHERN COMMERCE METROPOLITAN DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
Year Ended December 31, 2017**

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>			
Proceeds from issuance of bonds	\$ 3,460,000	\$ 3,380,000	\$ (80,000)
Total revenues	<u>3,460,000</u>	<u>3,380,000</u>	<u>(80,000)</u>
<b>EXPENDITURES</b>			
Debt issuance costs	150,000	140,600	9,400
Repay Developer advances	800,000	807,462	(7,462)
Principal paid on refunded debt	2,360,000	2,360,000	-
Bond principal payments	-	34,508	(34,508)
Interest paid	110,000	-	110,000
Total expenditures	<u>3,420,000</u>	<u>3,342,570</u>	<u>77,430</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>40,000</u>	<u>37,430</u>	<u>(2,570)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer to Debt Service Fund	(40,000)	(37,430)	2,570
Total other financing sources (uses)	<u>(40,000)</u>	<u>(37,430)</u>	<u>2,570</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	-	<u>\$ -</u>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>-</u>	<u>-</u>	
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	

**NORTHERN COMMERCE METROPOLITAN DISTRICT  
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY  
December 31, 2017**

**\$3,380,000**

**Limited Tax General Obligation Bonds**

**Series 2017**

**Dated June 1, 2017**

**Principal Due December 1**

**Interest Rate 3.43% Payable**

**June 1 and December 1**

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 115,000	\$ 111,818	\$ 226,818
2019	120,000	107,874	227,874
2020	125,000	103,758	228,758
2021	130,000	99,470	229,470
2022	135,000	95,011	230,011
2023	140,000	90,381	230,381
2024	140,000	85,579	225,579
2025	145,000	80,777	225,777
2026	150,000	75,803	225,803
2027	155,000	70,658	225,658
2028	160,000	65,342	225,342
2029	170,000	59,854	229,854
2030	175,000	54,023	229,023
2031	180,000	48,020	228,020
2032	185,000	41,846	226,846
2033	190,000	35,501	225,501
2034	200,000	28,984	228,984
2035	205,000	22,124	227,124
2036	215,000	15,092	230,092
2037	225,000	3,859	228,859
	<u>\$ 3,260,000</u>	<u>\$ 1,295,768</u>	<u>\$ 4,555,768</u>

**NORTHERN COMMERCE METROPOLITAN DISTRICT  
SUMMARY OF ASSESSED VALUATION,  
MILL LEVY AND PROPERTY TAXES COLLECTED  
December 31, 2017**

<b>Year Ended December 31,</b>	<b>Prior Year Assessed Valuation for Current Year Tax Levy</b>	<b>Mills Levied</b>		<b>Total Property Taxes</b>		<b>Percent Collected to Levied</b>
		<b>Operations</b>	<b>Debt Service</b>	<b>Levied</b>	<b>Collected</b>	
2013	\$ 3,794,410	12.000	38.000	\$ 189,721	\$ 188,744	99.49%
2014	\$ 3,916,640	12.000	38.000	\$ 195,847	\$ 192,969	98.53%
2015	\$ 3,855,850	12.000	38.000	\$ 192,793	\$ 191,622	99.39%
2016	\$ 5,588,350	12.000	38.000	\$ 279,418	\$ 270,323	96.75%
2017	\$ 5,876,570	8.000	38.000	\$ 270,323	\$ 269,723	99.78%
Estimated for the year ending December 31, 2018	\$ 6,719,210	7.000	38.000	\$ 302,364		