

SOUTHWEST PLAZA METROPOLITAN DISTRICT
Jefferson County, Colorado

FINANCIAL STATEMENTS
December 31, 2017

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April 5, 2018

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	1
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements:	
Statement of Net Position	1
Statement of Activities	2
Fund Financial Statements:	
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 Balances - Budget and Actual.....	6
Special Revenue Fund - Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual.....	7
Notes to Financial Statements.....	8
SUPPLEMENTARY INFORMATION	22
Schedule of Assessed Valuation, Mill Levy, and Property Taxes Collected.....	23
Schedule of Debt Service Requirements to Maturity.....	24

Independent Auditor's Report

Board of Directors
Southwest Plaza Metropolitan District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Southwest Plaza Metropolitan District as of and for the year ended December 31, 2017, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the District. Our responsibility is to express opinions on these financial statements based on our audit.

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 audits. We conducted our audits 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

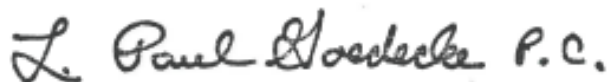
Opinion

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 Southwest Plaza Metropolitan District as of December 31, 2017, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

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 opinions on the basic financial statements are not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The supplementary information as listed in the table of contents is presented for purposes of legal compliance and additional analysis and is not a required part of the financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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.



L. Paul Goedecke, P.C.
March 29, 2018

BASIC FINANCIAL STATEMENTS

SOUTHWEST PLAZA METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
December 31, 2016

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 208,806
Cash and investments - Restricted	1,567,122
Receivable - Sales tax	670,194
Receivable - County Treasurer	6,785
Prepaid insurance	3,141
Property taxes receivable	1,010,000
Capital assets, not being depreciated	119,619
Capital assets - net of accumulated depreciation	<u>29,647,816</u>
Total assets	<u><u>33,233,483</u></u>
LIABILITIES	
Accounts payable	31,093
Accrued interest payable	15,521
Noncurrent liabilities:	
Due in more than one year	<u>28,725,000</u>
Total liabilities	<u><u>28,771,614</u></u>
DEFERRED INFLOWS OF RESOURCES	
Property tax revenue	<u>1,010,000</u>
Total deferred inflows of resources	<u><u>1,010,000</u></u>
NET POSITION	
Net investment in capital assets	1,042,435
Restricted for:	
Emergency reserves	113,000
Special Revenue operations	2,103,441
Unrestricted	<u>192,993</u>
Total net position	<u><u>\$ 3,451,869</u></u>

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

**SOUTHWEST PLAZA 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:					
Governmental activities:					
General government	\$ 2,084,936	\$ -	\$ -	\$ -	\$ (2,084,936)
Interest and fees on long-term debt	1,944,500	-	-	-	(1,944,500)
	<u>\$ 4,029,436</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(4,029,436)</u>
General revenues:					
Property taxes					919,636
Specific ownership taxes					89,882
Sales taxes					2,694,438
Net investment income					20,232
Other income					2,183
Total general revenues					<u>3,726,371</u>
Change in net position					(303,065)
Net position - Beginning					3,754,934
Net position - Ending					<u>\$ 3,451,869</u>

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

**SOUTHWEST PLAZA METROPOLITAN DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2017**

	General	Special Revenue	Total Governmental Funds
ASSETS			
Cash and investments	\$ 208,806	\$ -	\$ 208,806
Cash and investments - Restricted	31,000	1,536,122	1,567,122
Receivable from County Treasurer	6,785	-	6,785
Sales tax receivable	-	670,194	670,194
Prepaid insurance	3,141		3,141
Property taxes receivable	1,010,000	-	1,010,000
Total assets	<u>\$ 1,259,732</u>	<u>\$ 2,206,316</u>	<u>\$ 3,466,048</u>
LIABILITIES			
Accounts payable	\$ 10,218	\$ 20,875	\$ 31,093
Total liabilities	<u>10,218</u>	<u>20,875</u>	<u>31,093</u>
DEFERRED INFLOWS OF RESOURCES			
Property tax revenue	1,010,000	-	1,010,000
Total deferred inflows of resources	<u>1,010,000</u>	<u>-</u>	<u>1,010,000</u>
FUND BALANCES			
Nonspendable:			
Prepaid amounts	3,141	-	3,141
Restricted for:			
Emergencies (TABOR)	31,000	82,000	113,000
Special revenue operations	-	2,103,441	2,103,441
Unassigned:			
General government	205,373	-	205,373
Total fund balances	<u>239,514</u>	<u>2,185,441</u>	<u>2,424,955</u>

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	29,767,435
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds	
Bonds payable	(3,725,000)
Reimbursement agreement	(25,000,000)
Accrued interest payable	(15,521)
Net position of governmental activities	<u>\$ 3,451,869</u>

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

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

	<u>General</u>	<u>Special Revenue</u>	<u>Total Governmental Funds</u>
REVENUES			
Property taxes	\$ 919,636	\$ -	\$ 919,636
Specific ownership tax	89,882	-	89,882
Net investment income	4,775	15,457	20,232
Other revenue	410	1,773	2,183
Sales taxes	-	2,694,438	2,694,438
Total revenues	<u>1,014,703</u>	<u>2,711,668</u>	<u>3,726,371</u>
EXPENDITURES			
Current			
Accounting	22,176	4,260	26,436
Audit	4,135	-	4,135
County Treasurer's fee	13,795	-	13,795
Fees and licenses	355	-	355
Dues and membership	1,238	-	1,238
Insurance and bonds	3,114	-	3,114
Legal	5,751	1,061	6,812
Maintenance and repairs	435,954	136,784	572,738
Miscellaneous	90	1,418	1,508
Sales tax collection costs	-	43,525	43,525
Security	-	49,339	49,339
Sewage treatment fees	51,030	-	51,030
Debt service			
Principal payments	180,000	-	180,000
Interest expense	195,250	2,187,500	2,382,750
Capital outlay	-	62,183	62,183
Total expenditures	<u>912,888</u>	<u>2,486,070</u>	<u>3,398,958</u>
NET CHANGE IN FUND BALANCES	101,815	225,598	327,413
FUND BALANCES - BEGINNING OF YEAR	<u>137,699</u>	<u>1,959,843</u>	<u>2,097,542</u>
FUND BALANCES - END OF YEAR	<u><u>\$ 239,514</u></u>	<u><u>\$ 2,185,441</u></u>	<u><u>\$ 2,424,955</u></u>

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

**SOUTHWEST PLAZA 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	\$	327,413
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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 principal payment		180,000
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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.

Capital outlay		62,183
Depreciation		(1,310,911)

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 on bonds payable - Change in liability		750
Accrued interest on reimbursement agreement - Change in liability		<u>437,500</u>

Change in net position of governmental activities	\$	<u><u>(303,065)</u></u>
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These financial statements should be read only in connection with the accompanying notes to financial statements.

**SOUTHWEST PLAZA METROPOLITAN DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - 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>
REVENUES			
Property taxes	\$ 920,087	\$ 919,636	\$ (451)
Specific ownership tax	73,610	89,882	16,272
Net investment income	500	4,775	4,275
Other revenue	-	410	410
Total revenues	<u>994,197</u>	<u>1,014,703</u>	<u>20,506</u>
EXPENDITURES			
Current			
Accounting	25,000	22,176	2,824
Audit	3,000	4,135	(1,135)
County Treasurer's fee	13,800	13,795	5
Dues and membership	750	1,238	(488)
Fees and licenses	500	355	145
Insurance and bonds	3,500	3,114	386
Legal	10,200	5,751	4,449
Maintenance and repairs	481,280	435,954	45,326
Miscellaneous	4,800	90	4,710
Sewage treatment fees	51,030	51,030	-
Contingency	5,890	-	5,890
Debt service			
Principal expense on bonds	180,000	180,000	-
Interest expense on bonds	195,250	195,250	-
Capital outlay	25,000	-	25,000
Total expenditures	<u>1,000,000</u>	<u>912,888</u>	<u>87,112</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(5,803)	101,815	107,618
FUND BALANCES -			
BEGINNING OF YEAR	<u>109,588</u>	<u>137,699</u>	<u>28,111</u>
FUND BALANCES - END OF YEAR	<u><u>\$ 103,785</u></u>	<u><u>\$ 239,514</u></u>	<u><u>\$ 135,729</u></u>

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

**SOUTHWEST PLAZA METROPOLITAN DISTRICT
SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2017**

	<u>Budget</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Net investment income	\$ 9,100	\$ 14,900	\$ 15,457	\$ 557
Other revenue	-	1,773	1,773	-
Sales taxes	<u>2,500,000</u>	<u>2,575,000</u>	<u>2,694,438</u>	<u>119,438</u>
Total revenues	<u>2,509,100</u>	<u>2,591,673</u>	<u>2,711,668</u>	<u>119,995</u>
EXPENDITURES				
Current				
Accounting	6,000	4,000	4,260	(260)
Legal	5,000	1,000	1,061	(61)
Maintenance and repairs	131,000	132,500	136,784	(4,284)
Miscellaneous	10,000	2,000	1,418	582
Office fees/supplies	4,000	-	-	-
Sales tax collection costs	44,160	45,000	43,525	1,475
Security	36,000	46,000	49,339	(3,339)
Interest expense - reimbursement agreement	1,750,000	2,187,500	2,187,500	-
Capital				
Engineering	5,000	-	-	-
Furniture and fixtures	-	1,000	2,011	(1,011)
Other capital improvements	50,000	65,000	60,172	4,828
Contingency	<u>158,840</u>	<u>3,000</u>	<u>-</u>	<u>3,000</u>
Total expenditures	<u>2,200,000</u>	<u>2,487,000</u>	<u>2,486,070</u>	<u>930</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	309,100	104,673	225,598	120,925
FUND BALANCES -				
BEGINNING OF YEAR	<u>1,672,400</u>	<u>1,959,843</u>	<u>1,959,843</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u><u>\$ 1,981,500</u></u>	<u><u>\$ 2,064,516</u></u>	<u><u>\$ 2,185,441</u></u>	<u><u>\$ 120,925</u></u>

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

**SOUTHWEST PLAZA METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017**

NOTE 1 - DEFINITION OF REPORTING ENTITY

Southwest Plaza 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 for Jefferson County on August 24, 1981, 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 originally approved by the Board of County Commissioners of Jefferson County on July 15, 1981. The Service Plan was subsequently amended in September 1981 and October 1984, to increase the amount of debt and to impose an operations mill levy, respectively. The District's service area is located in Jefferson County, Colorado. The District was established to provide a storm drainage system, water supply system, and sewer system to the Southwest Plaza Regional Shopping Center.

A third amendment to the District's Service Plan was approved by the Jefferson County Commissioners on February 13, 2001. This amendment provided the following additional improvements and services by the District: landscaping and irrigation, parking and streets and street safety. The Service Plan amendment also contemplated a bond issue in the amount of \$10.8 million.

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 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 financial benefits or burdens and fiscal dependency.

The District is not financially accountable to 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.

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.

SOUTHWEST PLAZA 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 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 property taxes, specific ownership taxes and sales and use taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is due.

The District reports the following major governmental fund:

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 Special Revenue Fund is used to account for revenues earned and expenditures incurred in connection with the acquisition, construction, and maintenance of capital equipment and facilities associated with the License Agreement (see Note 8).

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.

**SOUTHWEST PLAZA METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The District amended its annual budget for the year ended December 31, 2017.

Property Taxes

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

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

Sales Tax

The District imposes a 1.5% sales tax on each dollar of eligible sales within the District. Such sales tax is collected by the Colorado Department of Revenue and remitted to the District approximately 60 days after collection from merchants.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition 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.

Capital assets are defined by the District as assets with an individual cost of more than \$5,000. 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.

**SOUTHWEST PLAZA METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Depreciation expense has been computed using the straight-line method over the estimated economic useful lives:

Water, sewer, storm drainage, and service lines	50 years
Parking lot improvements	15 - 40 years
Irrigation system	20 years
Common area improvements under License Agreement	5 - 25 years

Deferred Inflow of Resources

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Accordingly, the item, *deferred property tax revenue*, is deferred and recognized as an inflow of resources in the period that the amount becomes available.

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.

**SOUTHWEST PLAZA METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- 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.

NOTE 3 - CASH AND INVESTMENTS

Cash and investments as of December 31, 2017, are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and investments	\$ 208,806
Cash and investments - Restricted	<u>1,567,122</u>
	<u>\$ 1,775,928</u>

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

Deposits with financial institutions	\$ 5,251
Investments	<u>1,770,677</u>
	<u>\$ 1,775,928</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.

**SOUTHWEST PLAZA METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017**

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

At December 31, 2017, the District's cash deposits had a bank balance of \$95,713 and a carrying balance of \$5,251.

Investments

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

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

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

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

- . Obligations of the United States, certain U.S. government agency securities and securities of the World Bank
- . General obligation and revenue bonds of U.S. local government entities
- . Certain 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

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

Investment	Maturity	Amount
Colorado Surplus Asset Fund Trust (CSAFE)	Weghted average Under 60 days	\$ 1,536,122
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weghted average Under 60 days	234,555
		<u>\$ 1,770,677</u>

SOUTHWEST PLAZA METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

CSAFE

The District invested in the Colorado Surplus Asset Fund Trust (CSAFE) (the Trust), which is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust is similar to a money market fund, with each share valued at \$1.00. CSAFE may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain money market funds and highest rated commercial paper. A designated custodial bank serves as custodian for CSAFE's portfolio pursuant to a custodian agreement. The custodian acts as safekeeping agent for CSAFE's investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by CSAFE. CSAFE is rated AAAM by Standard & Poor's. CSAFE records its investments at amortized cost and the District records its investments in CSAFE using the amortized cost method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

COLOTRUST

The District invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the Trust), 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 and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and 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. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

**SOUTHWEST PLAZA METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017**

NOTE 4 - CAPITAL ASSETS

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

<u>Governmental Activities</u>	<u>Balance at December 31, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at December 31, 2017</u>
Capital assets, not being depreciated				
Landscape improvements	\$ 119,619	\$ -	\$ -	\$ 119,619
Total capital assets, not being depreciated	<u>119,619</u>	<u>-</u>	<u>-</u>	<u>119,619</u>
Capital assets, being depreciated				
Parking lot	5,435,439	-	-	5,435,439
Water system	899,079	-	-	899,079
Sewer system	453,560	-	-	453,560
Storm drainage system	684,865	-	-	684,865
Service/irrigation lines	184,482	-	-	184,482
License agreement	26,985,645	-	-	26,985,645
Other improvements	81,137	62,183	-	143,320
Total capital assets, being depreciated	<u>34,724,207</u>	<u>62,183</u>	<u>-</u>	<u>34,786,390</u>
Less accumulated depreciation for:				
Parking lot	(1,876,281)	(136,218)	-	(2,012,499)
Water system	(640,478)	(17,979)	-	(658,457)
Sewer system	(328,327)	(9,073)	-	(337,400)
Storm drainage system	(488,144)	(13,700)	-	(501,844)
Service/irrigation lines	(120,466)	(4,373)	-	(124,839)
License agreement	(373,967)	(1,121,903)	-	(1,495,870)
Other improvements	-	(7,665)	-	(7,665)
Total accumulated depreciation	<u>(3,827,663)</u>	<u>(1,310,911)</u>	<u>-</u>	<u>(5,138,574)</u>
Total capital assets, being depreciated, net	<u>30,896,544</u>	<u>(1,248,728)</u>	<u>-</u>	<u>29,647,816</u>
Governmental activities - Capital assets, net	<u>\$ 31,016,163</u>	<u>\$ (1,248,728)</u>	<u>\$ -</u>	<u>\$ 29,767,435</u>

Governmental Activities:

General government	<u>\$ 1,310,911</u>
Total depreciation expense - Governmental activities	<u>\$ 1,310,911</u>

**SOUTHWEST PLAZA METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017**

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, 2017:

	<u>Balance at December 31, 2016</u>	<u>Increases</u>	<u>Retirements</u>	<u>Balance at December 31, 2017</u>	<u>Due Within One Year</u>
Governmental Activities:					
G.O. Limited Tax Bonds Series 2001	\$ 3,905,000	\$ -	\$ 180,000	\$ 3,725,000	\$ 190,000
2016 Reimbursement Agreement	25,000,000	-	-	25,000,000	-
	<u>\$ 28,905,000</u>	<u>\$ -</u>	<u>\$ 180,000</u>	<u>\$ 28,725,000</u>	<u>\$ 190,000</u>

On May 4, 2001, the District's Board of Directors adopted a resolution authorizing the issuance of up to \$10,000,000 of limited tax general obligation bonds. The bonds mature on June 1, 2031, and bear interest on the outstanding principal at a rate of 5% per annum, payable on June 1 and December 1. Assuming an amortization of the outstanding bond principal over the remaining 15 years, the outstanding bond principal and interest are estimated to mature as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 190,000	\$ 186,250	\$ 376,250
2019	200,000	176,750	376,750
2020	210,000	166,750	376,750
2021	220,000	156,250	376,250
2022	230,000	145,250	375,250
2023-2027	1,335,000	542,000	1,877,000
2028-2031	1,340,000	162,875	1,502,875
	<u>\$ 3,725,000</u>	<u>\$ 1,536,125</u>	<u>\$ 5,261,125</u>

Authorized Debt

On November 7, 2000, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$54,000,000 for public improvements and \$65,000,000 for debt refunding at an interest rate not to exceed 15% per annum. On November 7, 2006, a majority of the qualified electors of the District authorized the issuance of additional indebtedness in an amount not to exceed \$54,000,000 for public improvements and \$65,000,000 for debt refunding at an interest rate not to exceed 15% per annum. On November 3, 2015, a majority of the qualified electors of the District authorized the issuance of

**SOUTHWEST PLAZA METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017**

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

indebtedness in an amount not to exceed \$60,000,000 for public improvements and \$20,000,000 for debt refunding at an interest rate not to exceed 12%. As of December 31, 2017, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

	<u>Authorized November 7, 2000 Election</u>	<u>Authorized November 7, 2006 Election</u>	<u>Authorized November 3, 2015 Election</u>	<u>Total Authorization</u>
Water supply	\$ 5,000,000	\$ 5,000,000	\$ -	\$ 10,000,000
Sanitary sewer	5,000,000	5,000,000	-	10,000,000
Street improvements	20,000,000	20,000,000	20,000,000	60,000,000
Traffic and safety controls	2,000,000	2,000,000	20,000,000	24,000,000
Public transportation	2,000,000	2,000,000	20,000,000	24,000,000
Park and recreation	20,000,000	20,000,000	-	40,000,000
Debt refunding	65,000,000	65,000,000	20,000,000	150,000,000
	<u>\$ 119,000,000</u>	<u>\$ 119,000,000</u>	<u>\$ 80,000,000</u>	<u>\$ 318,000,000</u>
		<u>Total Authorization</u>	<u>Authorization Used - Series 2001 Bonds</u>	<u>Remaining at December 31, 2017</u>
Water supply		\$ 10,000,000	\$ -	\$ 10,000,000
Sanitary sewer		10,000,000	-	10,000,000
Street improvements		60,000,000	10,000,000	50,000,000
Traffic and safety controls		24,000,000	-	24,000,000
Public transportation		24,000,000	-	24,000,000
Park and recreation		40,000,000	-	40,000,000
Debt refunding		150,000,000	-	150,000,000
		<u>\$ 318,000,000</u>	<u>\$ 10,000,000</u>	<u>\$ 308,000,000</u>

The District's Amended Service Plan states that the District expects to be able to issue approximately \$10.8 million in total debt to fund infrastructure improvements.

**SOUTHWEST PLAZA METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017**

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

Reimbursement Agreement

On October 31, 2016, the District entered into a Reimbursement Agreement (the Agreement) with Southwest Plaza, LLC, which is the owner of the Southwest Plaza Regional Shopping Center (the SW Plaza Mall). Southwest Plaza, LLC is owned by General Growth Properties, Inc. (GGP). Under the Agreement, GGP will advance or pay funds for improvements and services related to the construction of streets, traffic and safety controls, and transportation facilities associated with the development of the District. The Agreement was effective as of July 1, 2016. On July 1, 2016, the District agreed to reimburse GGP \$25,000,000 for development improvements related to the Mall and which are referenced in the License Agreement (see Note 8). The District shall reimburse GGP for the actual amount of advances together with interest at the rate of 7% per annum. Repayment under this Agreement is from the imposition of a 1.5% sales tax imposed on eligible transactions within the District. Reimbursement of the payments made by GGP under this Agreement is subject to annual appropriation and budget approval from funds not otherwise required for operations, capital improvements, and debt service costs of the District. Interest is to be paid quarterly beginning on October 1, 2016. The Agreement continues until the earlier of (1) it is fully performed, (2) it is terminated by mutual agreement of the District and GGP, or (3) December 31, 2055.

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, 2017, the District had net investment in capital assets, calculated as follows:

	Governmental Activities
Net investment in capital assets	
Capital assets, net	\$ 29,767,435
Capital related debt	<u>(28,725,000)</u>
Net investment in capital assets	<u><u>\$ 1,042,435</u></u>

**SOUTHWEST PLAZA METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017**

NOTE 6 - NET POSITION (CONTINUED)

The restricted component of net position include assets that are restricted for use either externally 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, 2017 as follows:

	Governmental Activities
Restricted net position	
Emergency reserves	\$ 113,000
Special revenue operations	2,103,441
Total restricted net position	\$ 2,216,441

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.

NOTE 7 - SERVICE CONTRACTS

The District has an agreement with the City and County of Denver (City) through the Denver Water Board for water distribution service. All water service in the District is provided and billed by the City to the users.

The District has an agreement with Metropolitan Wastewater Reclamation District (Metro) for sewage treatment and disposal. The District pays Metro sewage treatment fees.

The District is responsible for the maintenance and future construction costs of all water, sewer and storm drainage lines and retains title to all lines in the District.

NOTE 8 – LICENSE AGREEMENT

On September 1, 2016, the District entered into a License Agreement with Southwest Plaza, LLC (Licensor). The Licensor is the owner of the common areas of the SW Plaza Mall. The License Agreement allows the District to operate and maintain the common area improvements in a manner consistent with the authorized services allowed to the District under its Service Plan and election questions. The License Agreement shall continue in full force until such time as may be mutually agreed upon by the Licensor and the District. The License Agreement is being amortized by the District based upon the useful lives of the common area improvements – between 10 and 25 years.

SOUTHWEST PLAZA METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 9 - RELATED PARTIES

The primary owner of real property in the District and the registered holder of the District's General Obligation Limited Tax Bonds, Series 2001, is General Growth Properties, Inc. (GGP). The members of the Board of Directors of the District are employees of or associated with GGP. During 2017, the District paid GGP \$180,000 of principal and \$195,250 of interest on the Series 2001 Bonds. GGP also is a Party under the Reimbursement Agreement and was paid \$2,187,500 in accordance with the terms of the Agreement.

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.

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.

SOUTHWEST PLAZA METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

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

On November 4, 1998, November 7, 2000, and November 7, 2006, a majority of the District's electors authorized the District to collect and spend or retain taxes of up to \$328,000, \$500,000 and \$1,000,000, respectively, annually for operations and maintenance. The 2000 and 2006 elections also allowed the District to collect and spend or retain any revenues from any other sources without regard to any limitation imposed by TABOR.

On November 3, 2015, a majority of the District's electors authorized the District to collect up to \$6,000,000 by the imposition of sales or use taxes of up to 2% on eligible transactions within the District. These taxes are to be used for safety protection, street improvements, and public transportation.

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.

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

SUPPLEMENTARY INFORMATION

**SOUTHWEST PLAZA METROPOLITAN DISTRICT
SCHEDULE OF ASSESSED VALUATION, MILL LEVY
AND PROPERTY TAXES COLLECTED
December 31, 2017**

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied			Total Property Taxes		Percentage Collected to Levied
		General	Debt Service	Total	Levied	Collected	
2013	\$ 32,724,109	27.500	0.000	27.500	\$ 899,913	\$ 898,532	99.85%
2014	\$ 30,272,856	30.000	0.000	30.000	\$ 908,186	\$ 907,666	99.94%
2015	\$ 29,876,504	30.000	0.000	30.000	\$ 896,295	\$ 893,342	99.67%
2016	\$ 26,450,486	32.000	0.000	32.000	\$ 846,416	\$ 839,070	99.67%
2017	\$ 27,881,424	33.000	0.000	33.000	\$ 920,087	\$ 919,636	99.67%
Estimated for year ending December 31, 2017	\$ 43,913,027	23.000	0.000	23.000	\$ 1,010,000		

NOTE:

Property taxes collected in any one year include collection of delinquent property taxes levied and/or abatements of valuations in prior years. Information received from the County Treasurer does not permit identification of specific year of assessment.

**SOUTHWEST PLAZA METROPOLITAN DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2017**

	\$10,000,000 General Obligation Limited Tax Improvement Bonds Dated May 4, 2001 Interest Rate 5% Due June 1 and December 1 Principal Due December 1		Total General Obligation Bonds
	Principal	Interest	
2018	\$ 190,000	\$ 186,250	\$ 376,250
2019	200,000	176,750	376,750
2020	210,000	166,750	376,750
2021	220,000	156,250	376,250
2022	230,000	145,250	375,250
2023	240,000	133,750	373,750
2024	255,000	121,750	376,750
2025	265,000	109,000	374,000
2026	280,000	95,750	375,750
2027	295,000	81,750	376,750
2028	310,000	67,000	377,000
2029	325,000	51,500	376,500
2030	340,000	35,250	375,250
2031	365,000	9,125	374,125
	\$ 3,725,000	\$ 1,536,125	\$ 5,261,125

NOTE:

This estimated debt service schedule assumes the amortization of the outstanding bond principal over the remaining 14 years. The bonds mature on June 1, 2031. No principal is due until maturity. However, the District has budgeted a \$190,000 payment for December 1, 2018, which was approved by the Board as part of the budget process.