

TRIVIEW METROPOLITAN DISTRICT

**BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**
With Independent Auditors' Report

YEAR ENDED DECEMBER 31, 2016

BOARD OF DIRECTORS

President Reid Bolander
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Valerie Remington – District Manager

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Triview Metropolitan District
Monument, Colorado

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Triview Metropolitan District, (the District) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the District as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 8 and page 35, respectively, be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Other Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplemental schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental schedules on pages 36 and 37 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Stockman Kast Ryan & Co., LLP

July 18, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

TRIVIEW METROPOLITAN DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management Discussion and Analysis (MD&A) is presented to provide an overview of the financial activities and conditions for the fiscal year ended on December 31, 2016. The MD&A contains information currently known to management as of the date of the auditor's report. The MD&A should be read in conjunction with the District's financial statement that accompanies this report.

FINANCIAL HIGHLIGHTS

- Total Assets equaled: \$61,250,736 for 2016.
- Deferred Outflows of Resources were \$4,750,576.
- Cash, Cash Equivalents and Investments as of December 31, 2016 were \$13,083,244.
- Total Liabilities for 2016 equaled \$59,971,328.
- Deferred Inflows of Resources were \$2,432,522.
- Net Position for 2016 totaled \$3,597,462.
- Governmental change in Net Position from 2015 to 2016 totaled \$963,393.
- Business-type change in Net Position from 2015 to 2016 totaled \$1,001,778.

FINANCIAL STATEMENTS

The financial statements consist of three parts - management discussion and analysis, the basic financial statements, and supplemental information. The basic financial statements include two kinds of statements that present different views of the district:

- The first two are government-wide statements that provide both long-term and short-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District government, reporting the District's operations in more detail than the government-wide statements.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of supplemental information that further explains and supports the information in the financial statements.

Government-wide Statements — The government-wide statements consist of the Statement of Net Position and the Statement of Activities. These statements report information about the District as a whole and include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the District's net position and changes in them. The District's net position, the difference between assets and liabilities, is one way to measure the District's financial status, or financial position. Over time increases or decreases in the District's net position is one indicator whether its financial health is improving or deteriorating. Other non-financial factors, however, such as changes in the District's property tax base (Assessed Valuation) are needed to assess the overall strength of the District.

Fund Financial Statements — The fund financial statements provide more detailed information about the District's funds, focusing on its most significant funds, not the District as a whole. The District's two kinds of funds, governmental and proprietary, use different accounting approaches.

Governmental Fund — The activity of the District's General fund is reported as a governmental fund, which focuses on how money flows into and out of the General fund. This fund is reported using the modified accrual accounting method, which measures cash and all of the other financial assets that can readily be converted to cash. The governmental fund statement provides a detailed short-term view of the District's general governmental operations and the basic services it provides. Governmental fund information helps to determine whether there are more or less financial resources that can be spent in the near future to finance the District's programs.

Proprietary (Enterprise) Fund — The activity of the District Enterprise fund is to report the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the District's Enterprise fund is the same as the business-type activities reported in the governmental-wide statements but provides more detailed and additional information, such as cash flows.

District Specific — The Triview Metropolitan District utilizes two separate financial categories of activities; one for the general district functions and one for the enterprise, or business-type functions. Each of these, in turn, is segregated into operational and capital functions. Together, these comprise the overall government-wide statements. The Governmental, or general, category covers the public functions involving: administration; streets; drainage; landscaping; traffic control; street lighting; street signage; environmental and mosquito control. The Proprietary, or Business-type, category involves the public provision of water, wastewater, reuse water, related administration, and environmental functions. The Governmental functions are funded by property taxes, sales taxes, impact fees and bond financing when required. The Proprietary functions are funded by water and sewer user charges, tap fees and, similarly, bond financing when required for capital projects.

FINANCIAL POSITION & RESULTS FROM OPERATIONS

NET POSITION:

| | 2016 | | | 2015 | | |
|-----------------------------------|----------------------------|---------------------------|----------------------|----------------------------|---------------------------|----------------------|
| | Governmental Activities | Proprietary Activities | Total | Governmental Activities | Proprietary Activities | Total |
| ASSETS | | | | | | |
| Other | \$ 15,002,775 | \$ 1,762,824 | \$ 16,765,599 | \$ 15,030,760 | \$ 4,161,593 | \$ 19,192,353 |
| Capital | 8,469,009 | 36,016,128 | 44,485,137 | 8,699,945 | 28,429,269 | 37,129,214 |
| Total assets | <u>\$ 23,471,784</u> | <u>\$ 37,778,952</u> | <u>\$ 61,250,736</u> | <u>\$ 23,730,705</u> | <u>\$ 32,590,862</u> | <u>\$ 56,321,567</u> |
| DEFERRED OUTFLOWS OF RESOURCES | <u>\$ 4,526,516</u> | <u>\$ 224,060</u> | <u>\$ 4,750,576</u> | <u>\$ 876,100</u> | <u>\$ 244,743</u> | <u>\$ 1,120,843</u> |

| | 2016 | | | 2015 | | |
|--------------------------------------|-------------------------|------------------------|----------------------|-------------------------|------------------------|----------------------|
| | Governmental Activities | Proprietary Activities | Total | Governmental Activities | Proprietary Activities | Total |
| LIABILITIES | | | | | | |
| Current | \$ 699,635 | \$ 1,660,708 | \$ 2,360,343 | \$ 1,458,829 | \$ 2,965,079 | \$ 4,423,908 |
| Long-term | 46,557,111 | 11,053,874 | 57,610,985 | 43,437,617 | 5,583,874 | 49,021,491 |
| Total liabilities | <u>\$ 47,256,746</u> | <u>\$ 12,714,582</u> | <u>\$ 59,971,328</u> | <u>\$ 44,896,446</u> | <u>\$ 8,548,953</u> | <u>\$ 53,445,399</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| | <u>\$ 2,432,522</u> | <u>\$ -</u> | <u>\$ 2,432,522</u> | <u>\$ 2,364,720</u> | <u>\$ -</u> | <u>\$ 2,364,720</u> |
| NET POSITION | | | | | | |
| Net investment in capital assets | \$ (32,484,304) | \$ 27,419,283 | \$ (5,065,021) | \$ (33,267,737) | \$ 25,999,806 | \$ (7,267,931) |
| Restricted position | 187,950 | | 187,950 | 1,486,609 | 2,437,843 | 3,924,452 |
| Unrestricted position | 10,605,386 | (2,130,853) | 8,474,533 | 9,126,767 | (4,150,997) | 4,975,770 |
| Total net position | <u>\$ (21,690,968)</u> | <u>\$ 25,288,430</u> | <u>\$ 3,597,462</u> | <u>\$ (22,654,361)</u> | <u>\$ 24,286,652</u> | <u>\$ 1,632,291</u> |

Triview Metropolitan District was formed in 1985. In 1987 debt was placed upon Triview and in 1988 the developer filed for bankruptcy. This "Old Debt" remained in place accruing interest at 12.21% annual rate with no payments being made. This is referred to as the "Inactive Period". In 1994 the majority of the land within the District was acquired by a new developer and in 1997 a development agreement was reached whereby all of the previous debt and any new debt to that developer became Limited Tax Obligation Debt, or "Unscheduled Bonds" resembling "Revenue Bonds". The point-in-time from 1998 onward is referred to as the "Active Period".

The Old Debt had paid for a portion of the sewer system, a partially constructed water tank, partial road grading and soft costs; but nothing at that stage, the Inactive Period, could provide services. In order to service the first house within Triview, additional funds had to be obtained to complete the water and sewer systems, construct streets and improve the site drainage along with other required improvements. This funding initially took the form of developer loans that were then converted into Limited Tax Liability Bonds during this Active Period.

The current financial position is the result of the District investing in infrastructure in order to provide services. That infrastructure is being depreciated. The debt in excess of that directly related to the infrastructure equates to the accruing interest costs thus resulting in the status of the net position.

PROGRAM REVENUE BY SOURCE:

| | 2016 | | | 2015 | | |
|-------------------------------|-------------------------|--------------------------|------------------|-------------------------|--------------------------|------------------|
| | Governmental Activities | Business-Type Activities | Total | Governmental Activities | Business-Type Activities | Total |
| Charges of service | | | | | | |
| User charges (rates) | \$ | \$ 2,284,399 | \$ 2,284,399 | \$ | \$ 2,139,192 | \$ 2,139,192 |
| Impact fees | 729,290 | | 729,290 | 102,038 | | 102,038 |
| Capital contributions: | | | | | | |
| Water & sewer tap fees | | 566,727 | 566,727 | | 218,396 | 218,396 |
| GENERAL | | | | | | |
| Tax revenues | 4,858,109 | | 4,858,109 | 4,410,456 | | 4,410,456 |
| Interest income | 79,625 | 13,884 | 93,509 | 27,349 | 5,168 | 32,517 |
| Other | 23,503 | 668,436 | 691,939 | 33,680 | 407,826 | 441,506 |
| Total revenues | <u>5,690,527</u> | <u>3,533,446</u> | <u>9,223,973</u> | <u>4,573,523</u> | <u>2,770,582</u> | <u>7,344,105</u> |

| | 2016 | | | 2015 | | |
|----------------------------------|-------------------------|--------------------------|---------------------|-------------------------|--------------------------|---------------------|
| | Governmental Activities | Business-Type Activities | Total | Governmental Activities | Business-Type Activities | Total |
| FUNCTIONAL | | | | | | |
| General government | 461,921 | | 281,864 | 281,864 | | 281,864 |
| Streets | 433,959 | | 429,182 | 429,182 | | 429,182 |
| Lighting | 32,728 | | 23,675 | 23,675 | | 23,675 |
| Signage | 2,987 | | | | | |
| Traffic control | 28,393 | | 50,609 | 50,609 | | 50,609 |
| Parks | 312,883 | | 237,116 | 237,116 | | 237,116 |
| Conservation | 18,681 | | 15,852 | 15,852 | | 15,852 |
| Debt service | 3,205,582 | | 2,227,685 | 2,227,685 | | 2,227,685 |
| Water, wastewater and reuse | | 2,761,668 | 2,761,668 | | 2,382,905 | 2,382,905 |
| Total expenditures | 4,497,134 | 2,761,668 | 7,258,802 | 3,265,983 | 2,382,905 | 5,648,888 |
| Transfers | (230,000) | 230,000 | - | (190,000) | 190,000 | — |
| Change in net position | 963,393 | 1,001,778 | 1,965,171 | 1,117,540 | 577,677 | 1,695,217 |
| Net position – beginning of year | (22,654,361) | 24,286,652 | 1,632,291 | (23,771,901) | 23,708,975 | (69,926) |
| Net position—end of year | <u>\$ (21,690,968)</u> | <u>\$ 25,288,430</u> | <u>\$ 3,597,462</u> | <u>\$ (22,654,361)</u> | <u>\$ 24,286,652</u> | <u>\$ 1,632,291</u> |

Both Governmental and Proprietary (Business Type) Activities exhibited a positive change in net position primarily attributable to monitoring appropriate expenditures in conjunction with declining fee revenue.

ANALYSIS OF POSITION

The overall financial position of the District improved during 2016, due to continued monitoring of operating expenditures.

During 2016, supplementary appropriations approved by the District's Board of Directors modified the appropriation from \$5,266,756 to \$53,762,728 in the general fund to account for the refunding of the 2009 Revenue Refunding bonds and from \$3,896,276 to \$11,547,761 in the enterprise fund to account for the purchase of water rights and the related bond financing that enabled the purchase of the water rights.

In the Water, Wastewater and Reuse Enterprise Fund Schedule of Revenues, Expenses and Changes in Net Position, (non-GAAP budgeting basis) Budget and Actual, expenses were under budget by \$49,234. The revenues were better than budget due primarily to the increased the release of escrow funds committed to a specific project. Expenses were under budget due to cost savings from staffing.

Capital assets for the Governmental Activities decreased due to capital outlays of only \$229,829 in 2016 and depreciation in excess of additional capital. Capital assets for the Business-type Activities increased largely due to the purchase of water rights and the Sanctuary Pointe project that commenced in 2015. Triview has constructed facilities that, in some cases, will serve the build-out population yet the District is less than 40% developed and probably 15 years from build out status. These facilities are depreciated, as necessary, at a logical rate. With increased development and increased facility construction, depreciation will not be as significant a factor once an adequate economy of scale is reached.

CAPITAL ASSETS:

| | 2016 | | | 2015 | | |
|---------------------------|-------------------------|------------------------|----------------------|-------------------------|------------------------|----------------------|
| | Governmental Activities | Proprietary Activities | Total | Governmental Activities | Proprietary Activities | Total |
| Operating systems | \$ 14,717,476 | \$ 47,689,837 | \$ 62,407,313 | \$ 14,487,647 | \$ 39,223,673 | \$ 53,711,320 |
| Accumulated depreciation | (6,248,467) | (11,673,709) | (17,922,176) | (5,787,702) | (10,794,404) | (16,582,106) |
| Total capital assets, net | <u>\$ 8,469,009</u> | <u>\$ 36,016,128</u> | <u>\$ 44,485,137</u> | <u>\$ 8,699,945</u> | <u>\$ 28,429,269</u> | <u>\$ 37,129,214</u> |

The long-term liabilities increased during 2016 by \$8,244,494 primarily due to both the general and enterprise funds issuing new and refunding debt. The enterprise fund issued new debt enabling the purchase of water rights. The general fund refunded prior debt bringing the annual debt service payments in line with pledged property tax revenues.

LONG-TERM DEBT:

| | 2016 | | | 2015 | | |
|--------------------|-------------------------|------------------------|----------------------|-------------------------|------------------------|----------------------|
| | Governmental Activities | Proprietary Activities | Total | Governmental Activities | Proprietary Activities | Total |
| Loan payable | \$ | \$ 12,083,874 | \$ 12,083,874 | | \$ 6,433,874 | \$ 6,433,874 |
| G.O. bonds payable | <u>47,132,111</u> | | <u>47,132,111</u> | <u>\$ 44,537,617</u> | | <u>44,537,617</u> |
| Total debt | <u>\$ 47,132,111</u> | <u>\$ 12,083,874</u> | <u>\$ 59,215,985</u> | <u>\$ 44,537,617</u> | <u>\$ 6,433,874</u> | <u>\$ 50,971,491</u> |

The following are "known conditions" that will have a significant effect upon the financial position of the District. There were approximately 463,000 square feet of commercial property uses completed and operating within the District by the end of 2016. Two additional commercial taps are anticipated for 2016. A new 128,000 square foot senior living center has begun construction with an estimated completion date in late 2017.

As of December 31, 2016 there are 1,405 residential taps and 96 commercial taps being serviced by the District.

This additional commercial development generates the following revenue implications:

- Increase in property tax base, which is assessed under Statute at 3½ times that of residential property.
- Increase in retail commercial sales tax revenues; which Triview receives 50% of same under an agreement with the Town of Monument.
- Increase in employment base that relates to residential demand for District housing.
- Increase in use tax revenues; which are based upon building costs by type.
- Increase in water and sewer user fees and charges.
- Increase in impact fees generated by the additional commercial development.

The residential market continued to prosper during 2016. The District anticipates the momentum to continue into 2017 due to the continued development of Sanctuary Pointe and an estimated 60 residences to be permitted.

Increases in residential units generate the following revenue implications:

- Increase in property tax base as compared to undeveloped land; which is assessed at lesser rates.
- Increase in use tax revenues.
- Increase in water and sewer user fees and charges.
- Increase in impact fees generated by the additional residential development.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Triview Metropolitan District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or request for additional information should be addressed to Valerie Remington, District Manager, PO Box 849, 16055 Old Forest Point, Suite 300, Monument, Colorado, 80132.

BASIC FINANCIAL STATEMENTS

TRIVIEW METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
December 31, 2016

| | Governmental Activities | Business-Type Activities | Total |
|---|------------------------------------|-------------------------------------|---------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ - | \$ 128,089 | \$ 128,089 |
| Cash and cash equivalents, restricted | 17,235 | - | 17,235 |
| Investments | 11,781,265 | 1,156,655 | 12,937,920 |
| Property taxes receivable | 2,432,522 | - | 2,432,522 |
| Interest receivable | 1,995 | - | 1,995 |
| Accounts receivable | 382,719 | 565,693 | 948,412 |
| Prepaid expenses | 58,243 | 13,828 | 72,071 |
| Internal balances | 328,796 | (328,796) | - |
| Funds held in escrow | - | 227,355 | 227,355 |
| Capital assets, net of accumulated depreciation | 8,469,009 | 36,016,128 | 44,485,137 |
| Total assets | <u>23,471,784</u> | <u>37,778,952</u> | <u>61,250,736</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred amount on refunding | 4,526,516 | 224,060 | 4,750,576 |
| Total deferred outflows of resources | <u>4,526,516</u> | <u>224,060</u> | <u>4,750,576</u> |
| LIABILITIES | | | |
| Accounts payable | 47,610 | 265,283 | 312,893 |
| Accrued interest | 77,025 | 90,070 | 167,095 |
| Escrow funds held | - | 227,355 | 227,355 |
| Accrued settlement | - | 48,000 | 48,000 |
| Long-term liabilities | | | |
| Due within one year | 575,000 | 1,030,000 | 1,605,000 |
| Due in more than one year | 46,557,111 | 11,053,874 | 57,610,985 |
| Total liabilities | <u>47,256,746</u> | <u>12,714,582</u> | <u>59,971,328</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred property tax revenue | 2,432,522 | - | 2,432,522 |
| Total deferred inflows of resources | <u>2,432,522</u> | <u>-</u> | <u>2,432,522</u> |
| NET POSITION | | | |
| Net investment in capital assets | (32,484,304) | 27,419,283 | (5,065,021) |
| Restricted | | | |
| Debt service | 17,235 | - | 17,235 |
| Emergency reserve (TABOR) | 170,715 | - | 170,715 |
| Unrestricted | 10,605,386 | (2,130,853) | 8,474,533 |
| Total net position | <u>\$ (21,690,968)</u> | <u>\$ 25,288,430</u> | <u>\$ 3,597,462</u> |

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

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

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | |
|----------------------------------|---------------------|-------------------------|---|---|--|-----------------------------|---------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Total |
| | | | | | | | |
| Governmental activities: | | | | | | | |
| General government | \$ 461,921 | \$ 18,551 | \$ - | \$ - | \$ (443,370) | \$ - | \$ (443,370) |
| Streets | 433,959 | 473,445 | - | - | 39,486 | - | 39,486 |
| Lighting | 32,728 | - | - | - | (32,728) | - | (32,728) |
| Drainage | - | 213,683 | - | - | 213,683 | - | 213,683 |
| Signage | 2,987 | - | - | - | (2,987) | - | (2,987) |
| Traffic control | 28,393 | - | - | - | (28,393) | - | (28,393) |
| Parks, landscape and open space | 312,883 | 23,611 | - | - | (289,272) | - | (289,272) |
| Conservation | 18,681 | - | - | - | (18,681) | - | (18,681) |
| Interest and fiscal charges | 3,205,582 | - | - | - | (3,205,582) | - | (3,205,582) |
| General government | <u>\$ 4,497,134</u> | <u>\$ 729,290</u> | <u>\$ -</u> | <u>\$ -</u> | <u>(3,767,844)</u> | <u>-</u> | <u>(3,767,844)</u> |
| Business-type activities: | | | | | | | |
| Water, Wastewater and Reuse Fund | \$ 2,761,668 | \$ 2,904,296 | \$ - | \$ - | | 142,628 | 142,628 |
| Total | <u>\$ 2,761,668</u> | <u>\$ 2,904,296</u> | <u>\$ -</u> | <u>\$ -</u> | | <u>142,628</u> | <u>142,628</u> |
| General revenues: | | | | | | | |
| Taxes | | | | | 4,858,109 | - | 4,858,109 |
| Investment earnings | | | | | 79,625 | 13,884 | 93,509 |
| Conservation Trust funds | | | | | 18,681 | - | 18,681 |
| Other revenues | | | | | 4,822 | 615,266 | 620,088 |
| Transfers | | | | | (230,000) | 230,000 | - |
| Total general revenues | | | | | <u>4,731,237</u> | <u>859,150</u> | <u>5,590,387</u> |
| Change in net position | | | | | 963,393 | 1,001,778 | 1,965,171 |
| Net position - Beginning | | | | | (22,654,361) | 24,286,652 | 1,632,291 |
| Net position - Ending | | | | | <u>\$ (21,690,968)</u> | <u>\$ 25,288,430</u> | <u>\$ 3,597,462</u> |

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

**TRIVIEW METROPOLITAN DISTRICT
BALANCE SHEET
GOVERNMENTAL FUND
December 31, 2016**

| | <u>General</u> |
|---|------------------------|
| ASSETS | |
| Investments | \$ 11,781,265 |
| Restricted cash and cash equivalents | 17,235 |
| Property taxes receivable | 2,432,522 |
| Interest receivable | 1,995 |
| Accounts receivable, other | 382,719 |
| Prepaid expense | 58,243 |
| Due from other funds | 328,796 |
| Total assets | <u>\$ 15,002,775</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE | |
| Accounts payable | \$ 47,610 |
| Total liabilities | <u>47,610</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred property tax revenue | <u>2,432,522</u> |
| TOTAL DEFERRED INFLOWS OF RESOURCES | <u>2,432,522</u> |
| FUND BALANCE | |
| Nonspendable: | |
| Prepaid expenditures | 58,243 |
| Restricted: | |
| Debt service | 17,235 |
| Emergency reserves | 170,715 |
| Unassigned | <u>12,276,450</u> |
| Total fund balance | <u>12,522,643</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE | <u>\$ 15,002,775</u> |
| Total fund balance, governmental funds | \$ 12,522,643 |
| 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. | |
| Capital assets | 8,469,009 |
| Deferred outflows of resources are not current financial resources, and therefore are not reported in the funds | 4,526,516 |
| Accrued interest is not due and payable in the current period, and therefore, is not reported as a liability in the funds | (77,025) |
| Long-term liabilities are not due and payable in the current period and are not included in the fund financial statements, but are included in the governmental activities of the Statement of Net Position | <u>(47,132,111)</u> |
| Net position of governmental activities | <u>\$ (21,690,968)</u> |

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

**TRIVIEW METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUND
Year Ended December 31, 2016**

| | <u>General</u> |
|---|-----------------------------|
| REVENUES | |
| Taxes | \$ 4,858,109 |
| Fees | 729,290 |
| Conservation trust funds | 18,681 |
| Interest income | 79,625 |
| Miscellaneous revenue | 4,822 |
| Total revenues | <u>5,690,527</u> |
| EXPENDITURES | |
| General government | 464,447 |
| Streets | 240,513 |
| Lighting | 32,728 |
| Signage | 2,987 |
| Traffic control | 1,541 |
| Parks, landscape and open space | 299,719 |
| Conservation | 18,681 |
| Debt Service: | |
| Interest and fiscal charges | <u>3,177,470</u> |
| Total expenditures | <u>4,238,086</u> |
| EXCESS OF REVENUE OVER EXPENDITURES | <u>1,452,441</u> |
| OTHER FINANCING SOURCES (USES) | |
| General obligation refunding bonds issued | 46,215,000 |
| Payment to refunded bond escrow agent | (47,976,745) |
| Costs of issuance | (509,227) |
| Premium on general obligation refunding bonds | 918,380 |
| Transfers out | <u>(230,000)</u> |
| Total other financing sources | <u>(1,582,592)</u> |
| NET CHANGE IN FUND BALANCE | (130,151) |
| FUND BALANCE - BEGINNING OF YEAR | <u>12,652,794</u> |
| FUND BALANCE - END OF YEAR | <u><u>\$ 12,522,643</u></u> |

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

**TRIVIEW METROPOLITAN DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL
FUND TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2016**

A reconciliation reflecting the differences between the governmental funds net change in fund balances and change in net position reported for governmental activities in the Statement of Activities as follows:

| | |
|--|--------------------------|
| Net change in fund balances - Total governmental funds | <u>\$ (130,151)</u> |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays for the period. | (230,936) |
| The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. | <u>1,324,480</u> |
| Change in net position - Governmental activities | <u><u>\$ 963,393</u></u> |

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

TRIVIEW METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND - WATER, WASTEWATER AND REUSE FUND
December 31, 2016

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

| | |
|-------------------------------------|-------------------|
| Current assets | |
| Cash and cash equivalents | \$ 128,089 |
| Investments | 1,156,655 |
| Accounts Receivable | 565,693 |
| Prepaid expenses | 13,828 |
| Total current assets | <u>1,864,265</u> |
| Non-current assets | |
| Funds held in escrow | 227,355 |
| Capital assets, net of depreciation | 36,016,128 |
| Total non-current assets | <u>36,243,483</u> |
| Total assets | <u>38,107,748</u> |

DEFERRED OUTFLOWS OF RESOURCES

| | |
|------------------------------|----------------|
| Deferred amount on refunding | <u>224,060</u> |
|------------------------------|----------------|

TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

\$ 38,331,808

LIABILITIES AND NET POSITION

| | |
|-------------------------------|-------------------|
| Current Liabilities | |
| Accounts payable | \$ 265,283 |
| Accrued interest | 90,070 |
| Accrued settlement | 48,000 |
| Due to other funds | 328,796 |
| Bonds/Notes payable | 1,030,000 |
| Total current liabilities | <u>1,762,149</u> |
| Non-current liabilities | |
| Escrow funds held | 227,355 |
| Bonds/Notes payable | 11,053,874 |
| Total non-current liabilities | <u>11,281,229</u> |
| Total liabilities | <u>13,043,378</u> |

NET POSITION

| | |
|----------------------------------|-------------------|
| Net investment in capital assets | 27,419,283 |
| Unrestricted | (2,130,853) |
| Total net position | <u>25,288,430</u> |

TOTAL LIABILITIES AND NET POSITION

\$ 38,331,808

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

TRIVIEW METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND - WATER, WASTEWATER AND REUSE FUND
Year Ended December 31, 2016

OPERATING REVENUE

| | |
|-------------------------|------------------|
| Water sales | \$ 1,244,467 |
| Tap fees | 566,727 |
| Payment in lieu of fees | 53,170 |
| Sewer charges | 1,039,932 |
| Total operating revenue | <u>2,904,296</u> |

OPERATING EXPENSES

| | |
|----------------------------|------------------|
| Water system | 581,200 |
| Wastewater system | 574,335 |
| General and administrative | 435,543 |
| Depreciation | 879,305 |
| Total operating expenses | <u>2,470,383</u> |

OPERATING INCOME

433,913

NONOPERATING REVENUE (EXPENSE)

| | |
|---------------------------------|----------------|
| Interest income | 13,884 |
| Miscellaneous income | 94,620 |
| Release of escrow funds | 47,689 |
| Developer reimbursement | 472,957 |
| Bond issuance costs | (29,000) |
| Interest expense | (262,285) |
| Total nonoperating revenue, net | <u>337,865</u> |

INCOME BEFORE TRANSFERS

771,778

TRANSFERS IN

230,000

CHANGE IN NET POSITION

1,001,778

NET POSITION - BEGINNING OF YEAR

24,286,652

NET POSITION - END OF YEAR

\$ 25,288,430

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

**TRIVIEW METROPOLITAN DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND - WATER, WASTEWATER AND REUSE FUND
Year Ended December 31, 2016**

| | <u>Water</u> |
|---|--------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Cash received from customers | \$ 1,774,263 |
| Cash payments to suppliers for goods and services | (2,179,428) |
| Cash payments to employees for services | (187,977) |
| Net cash used in operating activities | <u>(593,142)</u> |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES | |
| Transfers in | 230,000 |
| Miscellaneous non-operating income | 94,620 |
| Change in due from other funds | 773,880 |
| Net cash provided by noncapital financing activities | <u>1,098,500</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Purchases of capital assets | (8,466,164) |
| Release of escrow funds | 47,689 |
| Principal paid on debt | (850,000) |
| Bond proceeds | 6,500,000 |
| Bond issuance costs | (29,000) |
| Developer reimbursement | 472,957 |
| Interest paid on debt | (238,519) |
| Net cash used in capital and related financing activities | <u>(2,563,037)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Proceeds from disposition of investments | 1,804,957 |
| Purchases of investments | (13,884) |
| Investment income | 13,884 |
| Net cash provided by investing activities | <u>1,804,957</u> |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (252,722) |
| CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR | <u>380,811</u> |
| CASH AND CASH EQUIVALENTS - END OF YEAR | <u><u>\$ 128,089</u></u> |

Continued

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

TRIVIEW METROPOLITAN DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND - WATER, WASTEWATER AND REUSE FUND
Year Ended December 31, 2016

**RECONCILIATION OF OPERATING INCOME TO CASH FLOWS
PROVIDED BY OPERATING ACTIVITIES**

| | |
|--|----------------------------|
| Operating income | \$ 433,913 |
| Adjustments to reconcile operating income to net cash used in operating activities: | |
| Depreciation | 879,305 |
| Effects of changes in operating assets and liabilities: | |
| Accounts receivable | (484,961) |
| Change in deferred | (645,072) |
| Prepaid expense | 18,515 |
| Accounts payable | <u>(794,842)</u> |
| Total adjustments | <u>(1,027,055)</u> |
| Net cash used in operating activities | <u><u>\$ (593,142)</u></u> |

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

NOTES TO BASIC FINANCIAL STATEMENTS

TRIVIEW METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Triview Metropolitan District (the "District") is a quasi-municipal political subdivision of the State of Colorado organized to develop and provide certain services to the residents of the District. The District was formed by order of the District Court for the County of El Paso, Colorado, entered in Civil Action No. 85 CV 0893 on May 13, 1985, following the favorable outcome of an organizational election held on May 10, 1985. The District, as a metropolitan district, derives its power from state statutes. Among the express statutory powers of the District are the powers of taxation and eminent domain, and the power to borrow money and issue both general obligation bonds and revenue bonds. The District has purchased water rights, and has constructed a water distribution system, a sanitary and storm sewer collection system, roadways, signs and other improvements.

The District's financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). A summary of the significant accounting policies used in the preparation of these financial statements follows.

Reporting Entity — The District has no component units for which either discrete or blended presentation is required. The inclusion or exclusion of component units is based on a determination of the elected official's financial accountability to their constituents, and whether the financial reporting entity follows the same accountability. Further, the financial statements of the reporting entity should enable the reader to distinguish between the primary government (including its blended component units, which are in substance, part of the primary government) and discretely presented component units. The criteria used for determining whether an entity should be included, either blended or discretely presented, includes but is not limited to fiscal dependency, imposition of will, legal standing, and the primary recipient of services.

Government-Wide and Fund Financial Statements — The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between *governmental* and *business-type* activities of the District. Governmental activities are normally supported by taxes and intergovernmental revenues. Business-type activities are financed to a significant extent by fees and charges.

The statement of activities demonstrates the degree to which 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. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. *Program revenues* include 1) fees and 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. Revenues that are not classified as program revenues, including all taxes, are reported as *general revenues*.

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*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flow. On an accrual basis, property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue in the fiscal year in which all eligibility requirements imposed by the provider have been met.

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 period or soon enough thereafter to pay liabilities of the current fiscal period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

The District considers property taxes as available if they are collected within 30 days after year-end. Property taxes are recognized as revenue in the fiscal period for which they are levied, providing the available criteria are met.

Those revenues susceptible to accrual are property taxes, sales taxes, interest revenue and charges for services. Specific ownership taxes collected and held by the county at year-end on behalf of the District are also recognized as revenue.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the accrual criteria are met. Expenditure-driven grants recognize revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the District are organized and operated on the basis of funds. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds maintained is consistent with legal and managerial requirements.

The District reports the following major governmental fund:

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

Additionally, the District reports the following major proprietary fund:

Enterprise Fund – The enterprise fund is used to account for those operations financed and operated in a manner similar to private business or where the board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The District has one enterprise fund-the Water, Wastewater and Reuse Fund. The intent of the District is that the costs of providing goods and services to the general public on a

continuing basis be financed or recovered primarily through user charges. As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as programs revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund are charges for services. Operating expenses for enterprise funds include cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to apply restricted resources first, then unrestricted resources as they are needed.

Receivables — All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Prepaid Expenses — Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Due To and From Other Funds — Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. In the fund financial statements, these receivables and payable are classified as "due from other funds" or "due to other funds". In the government-wide financial statements, all internal balances have been substantially eliminated.

Restricted Cash and Investments — The use of certain cash and investments of the District is restricted. These cash and investment items are classified as restricted assets on the balance sheet because they are maintained in separate accounts and their use is limited by debt agreements.

Investments — Investments are stated at fair value. Fair value is the amount the District can reasonably expect to receive to sell an investment in an orderly transaction between market participants. See Note 4 for further information on the fair values of investments.

Capital Assets — Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, traffic, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. Major outlays for capital assets and improvements are capitalized as projects are constructed.

The costs of normal maintenance and repairs that do not add to the value of the asset, or materially extend asset lives, are not capitalized. Improvements are capitalized and are depreciated over the remaining useful lives of the related capital assets, as applicable.

Buildings, improvements, vehicles, and equipment of the government are depreciated using the straight-line method over the following estimated useful lives:

| | |
|--|--------------|
| Roads and streets | 2 – 40 years |
| Wells | 20 years |
| Water storage tank | 40 years |
| Wastewater treatment facility | 40 years |
| Water distribution System and treatment facility | 40 years |
| Equipment | 3 – 7 years |

When depreciable property is acquired, depreciation is included in expense for the year of acquisition for the number of months during the year the asset was in service. When depreciable property is retired or otherwise disposed of, depreciation is included in expense for the number of months in service during the year of retirement and the related costs and accumulated depreciation are removed from the accounts with any gain or loss reflected in the statement of revenue, expenses and changes in fund net assets.

Accumulated Employee Benefit Amounts — Accumulated unpaid vacation, sick pay, and other employee benefit amounts are not material. Therefore, a liability of these benefits has not been reflected in these financial statements.

Long-Term Liabilities — In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the debt using the straight-line method. Bonds payable are reported net of the applicable premium or discount. Issue costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize premiums and discounts, as well as issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Balance Classification — The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications available to be used in the governmental fund financial statements are as follows:

Non-spendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

Restricted -This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action that was used when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned – This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Directors or through the Board of Directors delegating this responsibility to management through the budgetary process. This classification also includes the remaining positive fund balance for any governmental funds except for the General Fund.

Unassigned – This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The District would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

Statement of Cash Flows — For purposes of the Statement of Cash Flows, the District's cash and cash equivalents are considered to be cash on hand, demand deposits, government pools, and short-term investments with original maturities of three months or less from the date of acquisition, including restricted cash and cash equivalents. Funds held in escrow are excluded from the District's definition of cash and cash equivalents.

Estimates — The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Adoption of Accounting Pronouncement – In February 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 72, *Fair Value Measurement and Application*. The objective of Statement No. 72 is to improve financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value, providing additional fair value application guidance, and enhancing disclosures about fair value measurements. The District adopted the provisions of Statement No. 72 during the year ended December 31, 2016. There were no restatements of reported values of the District's assets or liabilities resulting from the implementation of Statement No. 72. See Note 4 for the expanded disclosures regarding fair value measurements.

Subsequent Events — The District has evaluated subsequent events for recognition or disclosure through the date of the Independent Auditors' Report, which is the date of issuance of the financial statements.

2. **RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

Explanation of certain differences between the general fund balance sheet and the government-wide statement of net position:

The general fund balance sheet includes reconciliation between *fund balance-governmental fund* and *net position-governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that "capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds". The details of this difference are as follows:

| | |
|---|---------------------|
| Capital assets | \$ 14,717,476 |
| Accumulated depreciation | <u>(6,248,467)</u> |
| Net adjustment to fund balance – governmental fund to arrive at net position – governmental activities | <u>\$ 8,469,009</u> |

Explanation of certain differences between the governmental fund statement of revenues, expenditures and change in fund balance and the government-wide statement of activities:

The governmental fund statement of revenues, expenditures, and change in fund balance includes a reconciliation of *net changes in fund balance-governmental fund* and *change in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report outlays for capital assets as expenditures. In contrast in the Statement of Activities the cost of capital assets is allocated over their estimated useful lives as depreciation expense". The details of this difference are as follows:

| | |
|---|---------------------|
| Depreciation | \$ (460,765) |
| Capital outlays | <u>229,829</u> |
| Net adjustment to net change in fund balance – governmental fund to arrive at change in net position – governmental activities | <u>\$ (230,936)</u> |

Another element of the reconciliation states that "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. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities". The details of this difference are as follows:

| | |
|--|---------------------|
| Amortization of advance refunding difference | \$ (119,598) |
| Amortization of discount/premium | 75,520 |
| Repayment of bonds | 1,100,000 |
| Change in accrued interest | <u>268,558</u> |
| Net adjustment to net change in fund balance – governmental fund to arrive at change in net position of governmental activities | <u>\$ 1,324,480</u> |

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budget Information — The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In the fall, the District Manager submits to the Board of Directors, a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted by the District to obtain taxpayer comments.

3. Prior to December 15, the budget is legally approved.
4. Any revisions that alter the total expenditures of any fund must be approved by the Board of Directors.
5. Formal budgetary integration is employed as a management control device during the year for the governmental and proprietary funds.
6. The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. The budget for the Water, Wastewater and Reuse Fund is prepared on a basis of accounting other than generally accepted accounting principles, which is normal for proprietary funds. The primary differences are that bond proceeds are treated as a budget source, capital expenditures and principal payments are treated as a budget use, and accrued unpaid interest and the amortization and depreciation expense are not budgeted.
8. Budgeted amounts are as originally adopted or amended.
9. All annual appropriations lapse at the end of the year.

4. DEPOSITS AND INVESTMENTS

The District's deposits and investments consist of the following at December 31, 2016:

| | Deposits | Certificate of Deposit | COLO- TRUST | Total |
|---|-------------------|---------------------------|----------------------|----------------------|
| Cash and cash equivalents | \$ 121,916 | \$ 2,603,030 | \$ 10,334,890 | \$ 13,059,836 |
| Restricted cash and cash equivalents | 17,235 | | | 17,235 |
| Funds held in escrow | <u>227,355</u> | | | <u>227,355</u> |
| Total | <u>\$ 366,506</u> | <u>\$ 2,603,030</u> | <u>\$ 10,334,890</u> | <u>\$ 13,304,426</u> |

Reconciliation of cash and cash equivalents to the government-wide financial statements at December 31, 2016:

| | Governmental Activities | Business- type Activities | Total |
|--------------------------------------|----------------------------|---------------------------------|----------------------|
| Cash and cash equivalents | \$ 11,775,092 | \$ 1,284,744 | \$ 13,059,836 |
| Restricted cash and cash equivalents | 17,235 | | 17,235 |
| Funds held in escrow | | <u>227,355</u> | <u>227,355</u> |
| Total | <u>\$ 11,792,327</u> | <u>\$ 512,099</u> | <u>\$ 13,304,426</u> |

Deposits — 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 regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

At December 31, 2016, the carrying amount of the District's deposits including certificates of deposits and money markets were \$2,969,536, the bank balances were \$3,478,256. Of the total bank balance, \$1,000,000 was covered by FDIC insurance and \$2,478,256 falls under the provision of the Colorado Public Deposit Protection Act which is collateralized in single institution pools.

Investments — The District is authorized by Colorado statutes to invest in the following:

- Obligations of the United States and certain U.S. government agencies' securities
- Certain international agencies' securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Certain commercial paper
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certificates of deposits
- Certain money market fund
- Guaranteed investment contracts

Fair Value Measurements – 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 and give the highest level to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest level to unobservable inputs (level) as follows:

Level 1 Unadjusted quoted prices for identical instruments in active markets.

Level 2 Observable inputs other than quoted market prices.

Level 3 Valuation derived from valuation techniques in which significant inputs are observable.

Investments that are measured at fair value using the net asset value (NAV) per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

The District has the following fair value measurements as of December 31, 2016:

| | | <u>Fair Value Measurements Using</u> | | |
|---|------------------------------|--|---|--|
| | | Quoted Prices In Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| | December 31, 2016 | | | |
| Investments by fair level: | | | | |
| Certificates of deposits | <u>\$2,603,030</u> | \$ - | <u>\$2,603,030</u> | \$ - |
| Total investments by fair level value: | <u>\$2,603,030</u> | <u>\$ -</u> | <u>\$2,603,030</u> | <u>\$ -</u> |
| Investments measured at NAV: | | | | |
| COLOTRUST | <u>\$10,334,890</u> | | | |
| Total investments measured at NAV | <u>\$10,334,890</u> | | | |
| Total investments measured at fair Value | <u>\$12,937,920</u> | | | |

Fixed income securities classified in Level 2 of the fair value hierarchy are valued primarily using quoted prices in inactive markets, as well as other pricing methods using observable inputs.

Investments Measured at NAV:

Colorado Government Liquid Asset Trust (COLOTRUST) is an investment vehicle established for local government entities in Colorado to pool surplus funds for investment purposes by state statutes. A twelve member Board of Trustees, elected by the fund participants, is responsible for overseeing the management of COLOTRUST, including establishing operating standards and policies. COLOTRUST operates similarly to a money market fund and each share is equal in value to \$1.00. Designated custodial banks provide safekeeping and depository services to COLOTRUST in connection with the direct investment and withdrawal functions of COLOTRUST. All securities owned by COLOTRUST are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by COLOTRUST. Investments of COLOTRUST consist of U.S. Treasury bills, notes and note strips and repurchase agreements collateralized by U.S. Treasury notes. COLOTRUST reports all investments as level 2 investments while the District's investment in COLOTRUST is reported at NAV. The District has no unfunded commitments or redemption restrictions on their investment in COLOTRUST. The separate audited financial statements of COLOTRUST are available on their website at www.colotrust.com. The District has no unfunded commitments or redemption restrictions on their investments in COLOTRUST.

Investments with maturities of less than 90 days are classified as cash and cash equivalents on the financial statements.

The District's investments are subject to interest rate risk and credit risk as described below:

Interest Rate Risk: The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses from increasing interest rates.

Credit Risk. State law limits investments to those described above. The District does not have an investment policy that would further limit its investment choices. As of December 31, 2016 the

District's ColoTrust investment is rated AAAm by Standard & Poor's.

5. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at December 31, 2016:

GENERAL FUND

| | |
|----------------------------|------------|
| Cash with County Treasurer | \$ 24,006 |
| Taxes from town | 358,323 |
| Undeposited funds | <u>390</u> |

| | |
|--------------------|----------------|
| Total general fund | <u>382,719</u> |
|--------------------|----------------|

WATER, WASTEWATER AND REUSE FUND

| | |
|-------------------------------|---------------|
| Developer fees/reimbursements | 488,870 |
| User fees receivable | <u>76,823</u> |

| | |
|--|----------------|
| Total water, wastewater and reuse fund | <u>565,693</u> |
|--|----------------|

| | |
|----------------------------------|-------------------|
| Total other accounts receivables | <u>\$ 948,412</u> |
|----------------------------------|-------------------|

6. INTERFUND BALANCES AND TRANSFERS

Interfund balances consisted of the following at December 31, 2016:

| Receivable | Payable | Amount |
|--------------|-----------------|-------------------|
| General fund | Enterprise fund | <u>\$ 328,796</u> |

The enterprise fund has a receivable from the general fund, the purpose of this interfund balance is to be a mechanism to track the proper allocation of payments and receipts. During the year ended December 31, 2016 the General Fund transferred \$230,000 to the Enterprise Fund for the allocation of certain taxes to the enterprise fund for operations.

7. PROPERTY TAX

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on January 1 and are payable in two installments due February 28 and June 15, or in one installment due April 30. El Paso County bills and collects property taxes for the District. District property tax revenues are recognized when levied to the extent that they result in current receivables. The tax rate for the year ended December 31, 2016 was 35.000 mills. The District's assessed valuation for 2015, for taxes collected in 2016, was \$67,563,420.

8. ESCROW FUNDS HELD

An escrow account in the District's name has been established. As a result of agreements between the District, El Paso County, Centre Development and Pinetree Properties one million dollars was deposited with the District to construct infrastructure improvements west of Interstate 25 and to provide service to that portion of the District. The remaining balance of \$227,355 includes interest of \$153,635 at December 31, 2016.

9. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2016 was as follows:

| | Balance at December 31, 2015 | Additions | Disposals/ Retirements | Balance at December 31, 2016 |
|--|------------------------------------|---------------------|---------------------------|------------------------------------|
| Governmental activities: | | | | |
| Capital assets, being depreciated: | | | | |
| Road and streets | 12,320,515 | 179,524 | - | 12,500,039 |
| Traffic control | 436,399 | - | - | 436,399 |
| Parks, landscape and open space | 1,342,775 | - | - | 1,342,775 |
| Equipment | 222,363 | 43,555 | - | 265,918 |
| Office space | 165,595 | 6,750 | - | 172,345 |
| Total capital assets being depreciated | 14,487,647 | 229,829 | - | 14,717,476 |
| Less accumulated depreciation for: | | | | |
| Road and streets | (4,930,294) | (372,970) | - | (5,303,264) |
| Traffic control | (325,112) | (26,852) | - | (351,964) |
| Parks, landscape and open space | (389,538) | (34,189) | - | (423,727) |
| Equipment | (130,422) | (22,530) | - | (152,952) |
| Office space | (12,336) | (4,224) | - | (16,560) |
| Total accumulated depreciation | (5,787,702) | (460,765) | - | (6,248,467) |
| Total capital assets, net | <u>\$ 8,699,945</u> | <u>\$ (230,936)</u> | <u>\$ -</u> | <u>\$ 8,469,009</u> |
| Business-type activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Water rights | 5,040,081 | 6,500,000 | - | 11,540,081 |
| Capital assets, being depreciated: | | | | |
| Wells | 2,295,781 | 65,045 | - | 2,360,826 |
| Water storage tank | 1,038,433 | - | - | 1,038,433 |
| Wastewater treatment facility | 10,009,219 | 8,509 | - | 10,017,728 |
| Water distribution system and treatment facility | 19,395,863 | 79,241 | - | 19,475,104 |
| Sanctuary Pointe | 1,383,080 | 1,813,369 | - | 3,196,449 |
| Equipment | 61,216 | - | - | 61,216 |
| Total capital assets being depreciated | 39,223,673 | 8,466,164 | - | 47,689,837 |
| Less accumulated depreciation for: | | | | |
| Wells | (702,083) | (79,586) | - | (781,669) |
| Water storage tank | (481,800) | (25,961) | - | (507,761) |
| Wastewater treatment facility | (2,991,770) | (250,231) | - | (3,242,001) |
| Water distribution system and treatment facility | (6,562,227) | (486,450) | - | (7,048,677) |
| Sanctuary Pointe | - | (34,577) | - | (34,577) |
| Equipment | (56,524) | (2,500) | - | (59,024) |
| Total accumulated depreciation | (10,794,404) | (879,305) | - | (11,673,709) |
| Total capital assets, net | <u>\$ 28,429,269</u> | <u>\$ 7,586,859</u> | <u>\$ -</u> | <u>\$ 36,016,128</u> |

10. LONG-TERM LIABILITIES

Loans — On October 22, 2014 the District issued a Tax Exempt Revenue Note for \$5,933,874 through Northstar Bank. This Note is payable semiannually in principal amounts of \$200,000 excluding interest at 2.75% to 3.75% with the final payment due October 22, 2029. The proceeds of this Note were used to pay the outstanding Colorado Water Resources and Power Development Authority loans along with the outstanding management fees to Donala Water and Sanitation District. The District has pledged all future net enterprise revenues as payment on this loan.

The District entered in to a loan agreement with a commercial company on August 22, 2014 in the amount of \$1,350,000 for the purchase of certain water rights with an actual purchase price of \$2,000,000. This loan is payable over three years with \$450,000 plus interest at 3.5% due annually for three years. The loan is secured by these water rights, which are recorded in capital assets in the amount of \$2,000,000 at December 31, 2016.

Annual debt service requirements to maturity for business -type activities loans are as follows:

| <u>Year</u> | <u>Business Type Activities</u> | |
|-------------|---------------------------------|---------------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2017 | \$ 850,000 | \$ 207,173 |
| 2018 | 400,000 | 176,215 |
| 2019 | 400,000 | 161,007 |
| 2020 | 400,000 | 146,187 |
| 2021 | 400,000 | 130,590 |
| 2022 - 2026 | 2,000,000 | 311,701 |
| 2027 - 2029 | 1,133,874 | 53,969 |
| Total | <u>\$ 5,583,874</u> | <u>\$ 1,186,842</u> |

Revenue Bond — The District issued Water and Wastewater Enterprise Revenue bonds on December 14, 2016, to provide funds for the acquisition of \$6,500,000 of water rights. The Bond is payable semiannually on June 1 and December 1 each year commencing June 1, 2017 with the final payment due December 1, 2031. The Bond is pledged by water and sewer revenue and bear an interest rate of 2.98%.

Annual debt service requirements to maturity for business-type activities bonds are as follows:

| <u>Year</u> | <u>Business Type Activities</u> | |
|-------------|---------------------------------|---------------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2017 | \$ 180,000 | \$ 186,705 |
| 2018 | 185,000 | 188,336 |
| 2019 | 190,000 | 182,823 |
| 2020 | 195,000 | 177,161 |
| 2021 | 200,000 | 171,350 |
| 2022 - 2026 | 1,105,000 | 762,880 |
| 2027 - 2031 | 4,445,000 | 588,252 |
| Total | <u>\$ 6,500,000</u> | <u>\$ 2,257,507</u> |

General Obligation Bonds — The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. Voters of the District authorized the issuance of \$50,840,800 of debt at special elections held in November 1986 and November 1987. General obligation bonds have been issued for governmental activities.

On December 15, 2016, the District issued \$46,215,000 in general obligation bonds with interest rates ranging from 4.0% to 5.0%. The District issued the bonds to advance refund \$42,740,000 of the outstanding Series 2009 general obligation bonds. The refunding was undertaken to lock in interest rates which were being remarketed weekly with the refunded bonds. The reacquisition price exceeded the net carrying amount of the old debt by \$4,526,516. This amount is netted against the new debt and amortized over the life of the refunded debt, which is shorter than the life of the new debt issued. At December 31, 2016, the balance in the Escrow account for the refunding of the 2009 Series bonds was \$47,976,745.

The current refunding of the Series 2009 General Obligation Refunding Bonds increased total debt service payments over the next 29 years by approximately \$11,400,000. The current refunding also results in an economic loss (difference between the present values of the debt service payments on the old and new debt) of approximately \$1,300,000.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. General obligation bonds currently outstanding are as follows:

Series 2016 General Obligation Refunding Bonds bearing
interest rates ranging from 4.00% to 5.00% until maturity
on November 1, 2046. \$ 46,215,000

Annual debt service requirements to maturity for general obligation bonds are as follows:

Changes In Long-Term Liabilities —

| | Balance at December 31, | | | Balance at December 31, | Amounts Due Within |
|--------------------------------------|----------------------------|---------------------|----------------------|----------------------------|--------------------------|
| <u>Governmental Activities:</u> | 2015 | Additions | Reductions | 2016 | One Year |
| Series 2009 GO Bonds | \$ 44,840,000 | \$ - | \$ 44,840,000 | \$ - | \$ - |
| Bond Issuance Discount | (302,383) | - | (302,383) | - | - |
| Series 2016 GO Bonds | - | 46,215,000 | - | 46,215,000 | 575,000 |
| Bond Issuance Premium | - | 918,380 | 1,269 | 917,111 | - |
| Total - Governmental Activities | <u>\$ 44,537,617</u> | <u>\$47,133,380</u> | <u>\$ 44,538,886</u> | <u>\$ 47,132,111</u> | <u>\$ 575,000</u> |
| <u>Business-Type Activities:</u> | | | | | |
| Northgate Water Agreement | \$ 900,000 | \$ - | \$ 450,000 | \$ 450,000 | \$ 450,000 |
| Northstar Revenue Note | 5,533,874 | - | 400,000 | 5,133,874 | 400,000 |
| KeyBank Revenue Bond | - | 6,500,000 | - | 6,500,000 | 180,000 |
| Total - Business-Type Activities | <u>\$ 6,433,874</u> | <u>\$ 6,500,000</u> | <u>\$ 850,000</u> | <u>\$ 12,083,874</u> | <u>\$ 1,030,000</u> |

11. NET POSITION

The District has net assets consisting of three components: net investment in capital assets; restricted; and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

As of December 31, 2016, the District had net investment in capital assets as follows:

| | |
|--|-----------------------|
| Net investment in capital assets: | |
| Capital assets, net of depreciation | \$ 44,485,137 |
| Capital asset related to deferred outflow | 4,750,576 |
| Long-term liabilities due within one year | (1,605,000) |
| Long-term liabilities due in more than one year | (57,610,985) |
| Debt proceeds spent for non-capitalized purposes | <u>4,915,249</u> |
| Total net investment in capital assets | <u>\$ (5,065,021)</u> |

Restricted assets are reduced by liabilities and deferred inflows of resources related to those assets. Restricted assets are assets which have restrictions placed on the use of the assets through external constraints imposed by creditors (such as through debt covenants), contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported:

Restricted:

| | |
|-----------------------------|-------------------|
| Restricted for debt service | \$ 17,235 |
| Emergency reserve (TABOR) | <u>170,715</u> |
| Total restricted | <u>\$ 187,950</u> |

Unrestricted net position consists of the net amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position. The District utilizes unrestricted net position before using restricted net position. As of December 31, 2016, the District had unrestricted net position of \$3,806,298.

12. RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The District carries commercial insurance for these risks of loss, including worker's compensation and employee health and accident insurance. Settlements have not exceeded coverage during the past three fiscal years.

13. COMMITMENTS AND CONTINGENCIES

Litigation — The District is involved in pending or threatened lawsuits and claims. The District and its legal counsel estimate that the potential claims against the District not covered by insurance or accrued for, resulting from such litigation, would not materially affect the financial statements of the District.

Tap fees — In 2007, the District settled a condemnation proceeding with a developer by agreeing to provide the developer with a credit for sewer and water tap fees in the cumulative amount of \$436,000. As of December 31, 2016 the developer had a remaining credit for sewer and water tap fees in the amount of \$48,000.

In 2009 the District entered into an intergovernmental agreement with Donala Water and Sanitation District (Donala) to fund the completion of the Wastewater Treatment Facility. Under this agreement, fees are payable monthly from tap fees collected by Triview at \$1,500 per single family sewer tap and a proportionate percentage of commercial taps (See Note 14).

Water Purchase Agreement — On April 8, 2014 the District entered into a settlement agreement (the Settlement) relating to the disputed water purchase agreement dated February 2, 2009 between the District and certain developers within the District. The settlement provided that in exchange for cash payment of \$1,500,000 and tap/impact fee credits of \$1,500,000 the developers would convey certain water rights to the District. These water rights were conveyed for the purpose of providing the water that the District will use in servicing the area that the Developers intend to develop. The tap/impact fee credits are set at the 2011 rates and can be used for the next ten years. After the first five years any use of a credit requires the developer to purchase a like tap/impact fee at the then current rate. The District had recorded a liability and related capital asset in the amount of \$3,000,000 as of December 31, 2013. During the year ended December 31, 2014 the District paid cash of \$1,500,000 and issued taps with a total value of \$854,928 to the Developer. In 2016, the Developer redeemed credits of \$645,072 leaving a \$0 balance at December 31, 2016.

The Agreement also stipulated that the developer, through the District, has to pay the Town of Monument (the Town) \$675,000 for the Town to provide post-pumping augmentation based on the proposed augmentation plan. The funds are to be used by the Town to pay for water improvements based upon the 2014 IGA dated April 7, 2014. The Settlement also voided the 2009 purchase agreement. Other than the payments noted above, providing typical water service and required improvements and to obtain approval and implementation of the water augmentation plan the District does not believe that it has any further liabilities in regards to this issue.

On January 23, 2015 the District entered into an agreement with certain developers to expand the Districts infrastructure to provide water, sewer and other standard services to a new area, Phase I of Sanctuary Pointe (Phase I) within the District's boundaries. The expansion of the District's services to this new area will require additional infrastructure estimated to cost approximately \$4,850,000.

A separate escrow account will be set up for a portion of the tap fees to be used to fund the additional infrastructure improvements. The District pledges to escrow \$8,000 from each single family and \$6,000 from each multi-family tap fee from Phase I. The agreement requires the Developers in Phase I to pay a Water Impact Fee of \$3,000, in excess of the standard District tap fees.

The agreement commits funding of approximately \$2,400,000 from escrowed tap fees and an additional \$250,000 from the District. The additional funding of approximately \$2,200,000 will be provided by the Developers. The contribution from the Developers will be repaid by the District from additional escrowed tap fees based on the schedule above. The estimated remaining funding of \$250,000 not supplied by the tap fees above will be required from the District within 90 days of the of the installation of the final residential meter in Phase I. As of December 31, 2016, the District had expended \$2,650,000 for infrastructure improvements in accordance with the Agreement.

Should the Developers fail to complete the development within two years after filing their intent to proceed the District will not be obligated to reimburse the Developers for all sewer infrastructure estimated to be approximately \$1,355,000.

14. INTERGOVERNMENTAL AGREEMENTS

Intergovernmental Agreement with Forest Lakes Metropolitan District and Donala Water and Sanitation District — The District entered into an agreement dated November 11, 1999, subsequently amended on October 25, 2001, with Forest Lakes Metropolitan District and Donala Water and Sanitation District to define ownership rights in the wastewater treatment plant. Under the amended agreement, the District and Forest Lakes transferred part ownership to Donala.

In 2009 the Districts completed an expansion of the plant to 1.75 million gallons per day (MGD). Under the terms of the above agreements, the three Districts reallocated ownership. Ownership was also modified under a 2009 agreement between the District and Donala, with the District deeding ownership of 6.7% of the 1.75 MGD capacity to Donala. The current ownership is 37.3% owned by the District, 17.1% by Forest Lakes, and 45.6% by Donala. The plant is currently being operated by Donala and all parties are responsible for their respective share of operations and maintenance costs, based on the relative share of actual flows.

In 2009 the District deeded 6.7% of the 1.75 MGD total plant treatment capacity to Donala. The District expects the 6.7% of plant ownership to be deeded back to the District pursuant to the intergovernmental agreement to fund the completion of the wastewater treatment plant

In addition, in accordance with the November 11, 1999 agreement, an ownership interest in a 24" interceptor was transferred to the Forest Lakes Metropolitan District. As a result of the transfer, the interceptor is owned 50% by the District, 25% by Forest Lakes, and 25% by Donala.

Intergovernmental Agreement with Forest Lakes Metropolitan — On March 28, 2002, the District entered into an intergovernmental agreement with Forest Lakes Metropolitan District for the design, construction, operation and ownership of the Monument Creek Interceptor.

Intergovernmental Agreements with the Town of Monument — The 1987-1999 IGA with the Town of Monument is part of (appendix to) the 1987 Annexation Agreement which brought the property into the Town. This IGA sets out how the District and the Town will interact as two separate public entities. Additionally, the IGA contains various requirements for Triview Metropolitan District to follow, including the collection of certain fees and the methods for infrastructure construction as well as the maintenance of said facilities.

15. AMENDMENT TO COLORADO CONSTITUTION

Colorado voters passed an amendment to the *State Constitution*, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments.

Fiscal year spending and revenue limits are determined based on the prior year's spending adjusted for inflation and local growth. Revenue in excess of the limit must be refunded unless the voters approve retention of such revenue.

On November 6, 2006 District residents voted to exempt the District from the revenue limits of the Amendment. This revenue change is effective from January 1, 2007 through December 31, 2017.

The Amendment is complex and subject to judicial interpretation. The entity believes it is in compliance with the requirements of the amendment. However, the entity has made certain interpretations of the amendment's language in order to determine its compliance.

REQUIRED SUPPLEMENTAL INFORMATION

TRIVIEW METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended December 31, 2016

| | Budgeted Amounts Original | Budgeted Amounts Final | Actual | Variance with Final Budget - Positive (Negative) |
|---|--|---------------------------------------|----------------------|---|
| REVENUES | | | | |
| Taxes | \$ 4,858,420 | \$ 4,858,420 | \$ 4,858,109 | \$ (311) |
| Fees | 138,580 | 138,580 | 729,290 | 590,710 |
| Conservation Trust funds | 14,500 | 14,500 | 18,681 | 4,181 |
| Interest income | 8,000 | 8,000 | 79,625 | 71,625 |
| Miscellaneous revenue | 10,000 | 10,000 | 4,822 | (5,178) |
| Total Revenues | <u>5,029,500</u> | <u>5,029,500</u> | <u>5,690,527</u> | <u>661,027</u> |
| EXPENDITURES | | | | |
| General government | 455,894 | 455,894 | 464,447 | (8,553) |
| Streets | 943,500 | 943,500 | 240,513 | 702,987 |
| Lighting | 29,750 | 29,750 | 32,728 | (2,978) |
| Signage | 1,000 | 1,000 | 2,987 | (1,987) |
| Traffic control | 24,500 | 24,500 | 1,541 | 22,959 |
| Drainage | 15,000 | 15,000 | - | 15,000 |
| Parks, landscape & open space | 386,612 | 386,612 | 299,719 | 86,893 |
| Conservation | 14,500 | 14,500 | 18,681 | (4,181) |
| Debt Service: | | | | |
| Interest and fiscal charges | 3,176,000 | 3,176,000 | 3,177,470 | (1,470) |
| Total Expenditures | <u>5,046,756</u> | <u>5,046,756</u> | <u>4,238,086</u> | <u>808,670</u> |
| EXCESS OF REVENUE OVER (UNDER) | | | | |
| EXPENDITURES | <u>(17,256)</u> | <u>(17,256)</u> | <u>1,452,441</u> | <u>1,469,697</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| General obligation refunding bond proceeds | - | 46,215,000 | 46,215,000 | - |
| Payment to refunded bond escrow agent | - | (47,976,745) | (47,976,745) | - |
| Costs of issuance | - | (509,227) | (509,227) | - |
| Premium on general obligation refunding bonds | - | 918,380 | 918,380 | - |
| Transfers out | (220,000) | (230,000) | (230,000) | (10,000) |
| Total other financing sources | <u>(220,000)</u> | <u>(1,582,592)</u> | <u>(1,582,592)</u> | <u>(10,000)</u> |
| NET CHANGE IN FUND BALANCE | <u>(237,256)</u> | <u>(1,599,848)</u> | <u>(130,151)</u> | <u>1,459,697</u> |
| FUND BALANCE - BEGINNING OF YEAR | <u>12,652,794</u> | <u>12,652,794</u> | <u>12,652,794</u> | <u>-</u> |
| FUND BALANCE - END OF YEAR | <u>\$ 12,415,538</u> | <u>\$ 11,052,946</u> | <u>\$ 12,522,643</u> | <u>\$ 1,459,697</u> |

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

SUPPLEMENTAL INFORMATION

TRIVIEW METROPOLITAN DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
NET POSITION (NON-GAAP BUDGETARY BASIS)
WATER, WASTEWATER AND REUSE FUND
For the Year Ended December 31, 2016

| | Original Budgeted Amounts | Amended Budgeted Amounts | Actual | Variance with Final Budget - Positive (Negative) |
|---|---------------------------------|--------------------------------|--------------------|---|
| REVENUES | | | | |
| Water assessments | \$ 1,749,554 | \$ 1,749,554 | \$ 1,244,467 | \$ (505,087) |
| Sewer assessments | 963,000 | 963,000 | 1,039,932 | 76,932 |
| Interest income | 1,500 | 1,500 | 13,884 | 12,384 |
| Water and sewer tap fees | 859,282 | 859,282 | 566,727 | (292,555) |
| Payment in lieu of fees | - | - | 53,170 | 53,170 |
| Release of escrow funds | 890,000 | 890,000 | 47,689 | (842,311) |
| Developer reimbursement | - | - | 472,957 | 472,957 |
| Miscellaneous income | 18,500 | 18,500 | 94,620 | 76,120 |
| Total Revenues | <u>4,481,836</u> | <u>4,481,836</u> | <u>3,533,446</u> | <u>(948,390)</u> |
| EXPENDITURES | | | | |
| General & administrative: | | | | |
| Salaries & wages | 196,558 | 196,558 | 187,977 | 8,581 |
| Employee benefits | 80,510 | 80,510 | 45,883 | 34,627 |
| Engineering | 61,500 | 61,500 | 59,639 | 1,861 |
| Legal | 18,600 | 18,600 | 44,223 | (25,623) |
| Accounting and auditing | 16,702 | 16,702 | 16,273 | 429 |
| Conference/training/class | 1,500 | 1,500 | 430 | 1,070 |
| Dues, publications & subscriptions | 3,500 | 3,500 | 7,681 | (4,181) |
| IT support | 5,000 | 5,000 | 5,208 | (208) |
| Office supplies & equipment | 5,500 | 5,500 | 3,523 | 1,977 |
| Postage | 7,800 | 7,800 | 10,723 | (2,923) |
| Publications - legal notice | 300 | 300 | 275 | 25 |
| Repairs & maintenance | 1,500 | 10,000 | 14,284 | (4,284) |
| Telephone service | 2,000 | 2,000 | 6,028 | (4,028) |
| Travel & meetings | 2,000 | 2,000 | 299 | 1,701 |
| Office overhead | 6,300 | 6,300 | 3,802 | 2,498 |
| Insurance | 10,500 | 10,500 | 17,438 | (6,938) |
| Billing expense | 5,400 | 5,400 | 6,650 | (1,250) |
| Miscellaneous | 1,000 | 1,000 | 121 | 879 |
| Vehicle repair and maintenance | 5,000 | 5,000 | 5,086 | (86) |
| Total General & Administrative | <u>431,170</u> | <u>439,670</u> | <u>435,543</u> | <u>4,127</u> |
| Water system | 515,515 | 580,000 | 581,200 | (1,200) |
| Wastewater system | 610,404 | 610,404 | 574,335 | 36,069 |
| Principal payments on capital debt | 850,000 | 850,000 | 850,000 | - |
| Interest expense | 238,687 | 238,687 | 262,285 | (23,598) |
| Capital expenditures | 950,500 | 8,500,000 | 8,466,164 | 33,836 |
| Total Expenses | <u>3,596,276</u> | <u>11,218,761</u> | <u>11,169,527</u> | <u>49,234</u> |
| EXCESS OF REVENUE OVER (UNDER) | <u>885,560</u> | <u>(6,736,925)</u> | <u>(7,636,081)</u> | <u>(899,156)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Bond proceeds | - | 6,500,000 | 6,500,000 | - |
| Costs of issuance | - | (29,000) | (29,000) | - |
| Contribution to Reserve | (300,000) | (300,000) | - | 300,000 |
| Transfer from (to) other funds | 220,000 | 230,000 | 230,000 | - |
| Total other financing sources | <u>(80,000)</u> | <u>6,401,000</u> | <u>6,701,000</u> | <u>300,000</u> |
| EXCESS OF REVENUE OVER EXPENSES | <u>805,560</u> | <u>(335,925)</u> | <u>(935,081)</u> | <u>(599,156)</u> |
| NET POSITION - BEGINNING OF YEAR | <u>1,570,384</u> | <u>1,570,384</u> | <u>1,570,384</u> | <u>-</u> |
| NET POSITION - END OF YEAR | <u>\$ 2,375,944</u> | <u>\$ 1,234,459</u> | <u>\$ 635,303</u> | <u>\$ (599,156)</u> |