

**CENTERRA METROPOLITAN DISTRICT NO. 1**  
**Larimer County, Colorado**

**BASIC FINANCIAL STATEMENTS**

**December 31, 2019**

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## **FINANCIAL SECTION**



## JOHN CUTLER & ASSOCIATES

Board of Directors  
Centerra Metropolitan District No. 1  
Loveland, Colorado

### INDEPENDENT AUDITORS' REPORT

#### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Centerra Metropolitan District No. 1, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

#### Management's Responsibility for the Financial Statements

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

#### Auditor's Responsibility

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

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

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

#### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Centerra Metropolitan District No. 1, as of December 31, 2019, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that budgetary comparison schedule on page 20 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 supplementary 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.

Management has not presented the management's discussion and analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Centerra Metropolitan District No. 1's financial statements. The individual fund schedule is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund schedules are fairly stated in all material respects in relation to the financial statements as a whole.

*John Cutler & Associates, LLC*

July 28, 2020

## **BASIC FINANCIAL STATEMENTS**

CENTERRA METROPOLITAN DISTRICT NO. 1

STATEMENT OF NET POSITION

As of December 31, 2019

	<u>Governmental Activities</u>
ASSETS	
Cash and Investments	\$ 2,239,119
Restricted Cash and Investments	37,943,756
Service Fees Receivable	44,977
Construction and Landscaping Deposits	4,242,033
Prepaid Insurance	62,754
Capital Assets, not depreciated	28,969,690
Capital Assets, depreciated, net of accumulated depreciation	<u>17,753,625</u>
 TOTAL ASSETS	 <u>91,255,954</u>
LIABILITIES	
Accounts Payable	1,566,236
Retainage Payable	271,832
Accrued Interest on Bonds	811,230
Noncurrent Liabilities	
Due within One Year	3,765,000
Due in More Than One Year	<u>194,972,227</u>
 TOTAL LIABILITIES	 <u>201,386,525</u>
NET POSITION	
Net Investment in Capital Assets	(152,013,912)
Restricted for Emergencies	123,000
Restricted for Debt Service	17,647,772
Restricted for Capital Projects	22,100,233
Unrestricted	<u>2,012,336</u>
 TOTAL NET POSITION	 <u>\$ (110,130,571)</u>

The accompanying notes are an integral part of the financial statements.

CENTERRA METROPOLITAN DISTRICT NO. 1

STATEMENT OF ACTIVITIES  
Year Ended December 31, 2019

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>Program Revenues Charges for Services</u>	<u>Net (Expense) Revenues and Change in Net Position Governmental Activities</u>
<b>PRIMARY GOVERNMENT</b>			
<b>Governmental Activities</b>			
General Government	\$ 8,778,021	\$ -	\$ (8,778,021)
Interest and Other Fiscal Charges	<u>9,724,341</u>	<u>49,545</u>	<u>(9,674,796)</u>
Total Governmental Activities	<u>\$ 18,502,362</u>	<u>\$ 49,545</u>	(18,452,817)
<b>GENERAL REVENUES</b>			
Service Fees, Districts 2,3, and 5			577,140
Net Investment and Other Income			1,308,290
LURA Revenues			13,652,122
Loss on Disposal of Assets			<u>(3,051,326)</u>
TOTAL GENERAL REVENUES			<u>12,486,226</u>
CHANGE IN NET POSITION			(5,966,591)
NET POSITION, Beginning			<u>(104,163,980)</u>
NET POSITION, Ending			<u>\$ (110,130,571)</u>

The accompanying notes are an integral part of the financial statements.

CENTERRA METROPOLITAN DISTRICT NO. 1

BALANCE SHEET  
GOVERNMENTAL FUNDS  
As of December 31, 2019

	GENERAL FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TOTAL
<b>ASSETS</b>				
Cash and Investments	\$ 764,654	\$ -	\$ 1,474,465	\$ 2,239,119
Restricted Cash and Investments	2,278,313	17,686,451	17,978,992	37,943,756
Accounts Receivable	43,591	1,386	-	44,977
Due from Other Funds	28,103	-	-	28,103
Construction and Landscaping Deposits	-	-	4,242,033	4,242,033
Prepaid Insurance	62,754	-	-	62,754
<b>TOTAL ASSETS</b>	<b><u>\$ 3,177,415</u></b>	<b><u>\$ 17,687,837</u></b>	<b><u>\$ 23,695,490</u></b>	<b><u>\$ 44,560,742</u></b>
<b>LIABILITIES AND FUND EQUITY</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 230,849	\$ 11,962	\$ 1,323,425	\$ 1,566,236
Retainage Payable	-	-	271,832	271,832
Due to Other Funds	-	28,103	-	28,103
<b>TOTAL LIABILITIES</b>	<b><u>230,849</u></b>	<b><u>40,065</u></b>	<b><u>1,595,257</u></b>	<b><u>1,866,171</u></b>
<b>FUND EQUITY</b>				
Fund Balance				
Nonspendable	62,754	-	-	62,754
Restricted for Emergencies	123,000	-	-	123,000
Restricted for Debt Service	-	17,647,772	-	17,647,772
Restricted for Capital Projects	-	-	22,100,233	22,100,233
Unassigned	2,760,812	-	-	2,760,812
<b>TOTAL FUND EQUITY</b>	<b><u>2,946,566</u></b>	<b><u>17,647,772</u></b>	<b><u>22,100,233</u></b>	<b><u>42,694,571</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS &amp; FUND EQUITY</b>	<b><u>\$ 3,177,415</u></b>	<b><u>\$ 17,687,837</u></b>	<b><u>\$ 23,695,490</u></b>	

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. 46,723,315

Long-term liabilities are not due and payable in the current period and are not reported in the funds. These include bonds payable \$194,140,000, accrued interest interest on bonds \$811,230, and unamortized premium on bonds \$4,597,227. (199,548,457)

Net position of governmental activities \$ (110,130,571)

The accompanying notes are an integral part of the financial statements.

CENTERRA METROPOLITAN DISTRICT NO. 1

STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
Year Ended December 31, 2019

	GENERAL FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TOTAL
<b>REVENUES</b>				
Service Fees, Districts 2,3, and 5	\$ 488,496	\$ 88,644	\$ -	\$ 577,140
Net Investment and Other Income	89,604	707,335	511,351	1,308,290
LURA Revenues	2,977,528	10,674,594	-	13,652,122
Public Improvement Fees	-	49,545	-	49,545
<b>TOTAL REVENUES</b>	<u>3,555,628</u>	<u>11,520,118</u>	<u>511,351</u>	<u>15,587,097</u>
<b>EXPENDITURES</b>				
<b>Current</b>				
General Government	3,169,528	-	499,904	3,669,432
Costs of Issuance	-	-	35,221	35,221
Capital Outlay	-	-	13,756,262	13,756,262
<b>Debt Service</b>				
Principal	-	2,325,000	-	2,325,000
Interest and Other Fiscal Charges	-	9,825,846	-	9,825,846
<b>TOTAL EXPENDITURES</b>	<u>3,169,528</u>	<u>12,150,846</u>	<u>14,291,387</u>	<u>29,611,761</u>
<b>NET CHANGE IN FUND BALANCES</b>	386,100	(630,728)	(13,780,036)	(14,024,664)
FUND BALANCES, Beginning	<u>2,560,466</u>	<u>18,278,500</u>	<u>35,880,269</u>	<u>56,719,235</u>
FUND BALANCES, Ending	<u>\$ 2,946,566</u>	<u>\$ 17,647,772</u>	<u>\$ 22,100,233</u>	<u>\$ 42,694,571</u>

The accompanying notes are an integral part of the financial statements.

CENTERRA METROPOLITAN DISTRICT NO. 1

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
Year Ended December 31, 2019

Amounts Reported for Governmental Activities in the Statement of Activities  
are Different Because:

Net Changes in Fund Balances - Total Governmental Funds	\$ (14,024,664)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This amount is amount by which capital outlay \$10,605,280 exceeded depreciation expense (\$1,957,607), and loss on disposal of assets (\$3,051,326).	5,596,347
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This amount is the change in accrued interest of (\$27,419), amortization of bond premium \$164,195, and payment of bond principal of \$2,325,000.	<u>2,461,726</u>
Change in Net Position of Governmental Activities	<u>\$ (5,966,591)</u>

The accompanying notes are an integral part of the financial statements.

CENTERRA METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2019

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Centerra Metropolitan District No. 1 (District), a quasi-municipal corporation, was organized on June 14, 2004, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District's service area is located in the City of Loveland (City), Larimer County, Colorado. The District was established to provide construction, installation, financing and operation of public improvements, including streets, traffic safety controls, landscaping, water, sanitary sewer, storm drainage, television relay, and park and recreation facilities. The District's service plan was approved by the City. Pursuant to the consolidated service plan for Centerra Metropolitan Districts No. 1-4, the District operates as the Service District related to Centerra Metropolitan District No. 2 (Commercial District), Centerra Metropolitan District No. 3 (Residential District), Centerra Metropolitan District No. 4 (Regional Improvements District) and Centerra Metropolitan District No. 5 (Industrial District).

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

The accounting policies of the District conform to generally accepted accounting principles ("GAAP") as applicable to governments. The following is a summary of the more significant policies:

**Reporting Entity**

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

On January 26, 2004, Centerra Public Improvement Collection Corporation (PIC Corporation) and the Centerra Retail Sales Fee Corporation (RSF Corporation) were formed. Both PIC Corporation and RSF Corporation are nonprofit corporations that were formed for the purpose of adopting and imposing Declarations and Covenants on property within Centerra and for the purpose of imposing and collecting certain fees. PIC and RSF Corporations have entered into an agreement with the District whereby on June 4, 2004, PIC and RSF Corporations have agreed to remit to the District certain revenues received from fees imposed by PIC and RSF Corporations in consideration of the District's financing, construction and operation of public improvements which benefit the members of PIC and RSF Corporations. In the refinancing of the 2004 bonds in March of 2008, the RSF Corporation was released from its agreement.

CENTERRA METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2019

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Reporting Entity** (Continued)

The definition of the reporting entity is based primarily on financial accountability. The District is financially accountable for organizations that make up its legal entity. It is also financially accountable for legally separate organizations if District officials appoint a voting majority of the organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the District. The District may also be financially accountable for organizations that are fiscally dependent upon it.

Based on the application of these criteria, The District is not financially accountable for any other organization, including Centerra Metropolitan Districts No. 2-5, PIC Corporation and RSF Corporation, nor is the District a component unit of any other primary governmental entity, including the City.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of the given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Major individual governmental funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CENTERRA METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2019

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**  
(Continued)

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 collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Service fees, grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

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

In the fund financial statements, the District reports the following major governmental funds:

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

The *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of the governmental funds.

The *Capital Projects* fund is used to account for financial resources to be used for the acquisition and construction of capital equipment and facilities.

**Cash and Investments**

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a single bank account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash.

CENTERRA METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2019

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Cash and Investments** (Continued)

Investments are recorded at fair value.

For purpose of presentation in the financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an original maturity of more than three months are reported as investments.

**Accounts Receivable**

Accounts receivable are presented net of any reserve for uncollectible accounts.

**Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets which are anticipated to be conveyed to other governmental entities are recorded as construction in progress and are not included in the calculation of invested in capital assets, net of related debt component of the District's net position.

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

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

Monumentation	20 years
Landscape/Parks and recreation	20 years
Promenade infrastructure	20 years
Sanitary sewer and storm drainage	20 years
Streets	20 years

CENTERRA METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2019

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Long-Term Obligations**

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the governmental activities fund type statement of net position. Bond issue costs are reported as deferred charges and amortized over the term of the related debt.

The face amount of 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.

**Net Position**

The government-wide and business-type fund financial statements utilize a net position presentation. Net position is categorized as investment in capital assets, restricted, and unrestricted.

*Investment in Capital Assets* is intended to reflect the portion of net position which are associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost.

*Restricted Net Position* are liquid assets, which have third party limitations on their use.

*Unrestricted Net Position* represent assets that do not have any third party limitation on their use. While District management may have categorized and segmented portion for various purposes, the District board of directors has the unrestricted authority to revisit or alter these managerial decisions.

**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 used in the governmental fund financial statements are as follows:

- Nonspendable – This classification includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. The District reports Prepaid Insurance as nonspendable at December 31, 2019.

CENTERRA METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2019

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Fund Balance Classification** (Continued)

- **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. The District has classified Emergency Reserves as being restricted because their use is restricted by State Statute for declared emergencies. The District also classifies the fund balances in the Debt Service and Capital Projects funds as restricted for debt service and capital improvements.
- **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 (ordinance or resolution) that was employed 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. The District did not have any committed resources as of December 31, 2019.
- **Assigned** – This classification includes amounts that are constrained by the Board of Directors intent to be used for specific purposes but are neither restricted nor committed. As of December 31, 2019, the District does not report any assigned fund balances.
- **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 fund balance.

CENTERRA METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2019

**NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgets and Budgetary Accounting**

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The total appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

**NOTE 3: CASH AND INVESTMENTS**

Cash and investments as of December 31, 2019 are classified in the accompanying financial statements as follows:

Cash and Investments	\$ 2,239,119
Cash and Investments - Restricted	<u>37,943,756</u>
Total	<b><u>\$ 40,182,875</u></b>

A summary of deposits and investments as of December 31, 2019 follows:

Deposits	\$ 9,621,018
Investments	<u>30,561,857</u>
Total	<b><u>\$ 40,182,875</u></b>

**Deposits**

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. 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. At December 31, 2019, State regulatory commissioners have indicated that all financial institutions holding deposits for the District are eligible public depositories. 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.

CENTERRA METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2019

**NOTE 3: CASH AND INVESTMENTS** (Continued)

**Deposits** (Continued)

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. The District has no policy regarding custodial credit risk for deposits.

In addition, the District holds a number of certificates of deposits with FDIC eligible banks, all of which were individually less than the \$250,000 threshold for FDIC coverage.

At December 31, 2019, the District had deposits with financial institutions with a carrying amount of \$9,621,018. The bank balances with the financial institutions were \$9,134,579. Of these balances, \$6,513,271 was covered by federal depository insurance and \$2,621,308 was covered by collateral held by authorized escrow agents in the financial institution's name (PDPA).

Interest Rate Risk

The District has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Colorado statutes specify in which instruments the units of local government may invest which include:

- Obligations of the United States and certain U.S. government agency securities
- General obligation and revenue bonds of U.S. local government entities
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts

The above investments are authorized for all funds and fund types used by Colorado municipalities.

CENTERRA METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

**NOTE 3: CASH AND INVESTMENTS** (Continued)

As of December 31, 2019, the District had the following investments and maturities:

<u>Type of Investment</u>	<u>Fair Value</u>	<u>Maturities (in Years)</u>	
		0 – 1 Years	1 – 5 Years
U.S. Government Agencies	\$ 3,309,626	\$ 1,256,583	\$ 2,053,043
ColoTrust	<u>27,252,231</u>	<u>27,252,231</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 30,561,857</u></b>	<b><u>\$ 28,508,814</u></b>	<b><u>\$ 2,053,043</u></b>

The above investments are authorized for all funds and fund types used by Colorado local governments. As of December 31, 2019, the District’s U.S. Government Agencies are rated AA+ by Standard and Poor’s and Aaa by Moody’s Investors Services.

The District had invested \$27,252,231 in the Colorado Government Liquid Asset Trust (ColoTrust) which has a credit rating of AAAm by Standard and Poor’s. ColoTrust is an investment vehicle established for local government entities in Colorado to pool surplus funds and is regulated by the State Securities Commissioner. It operates similarly to a money market fund and each share is equal in value to \$1.00. Investments consist of U.S. Treasury and U.S. Agency securities, and repurchase agreements collateralized by U.S. Treasury and U.S. Agency securities. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned 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 the entities.

ColoTrust is not a 2a7-like external investment pool. The unit of account is each share held, and the value of the position would be the fair value of the pool’s share price multiplied by the number of shares held. The government-investor does not “look through” the pool to report a pro rata share of the pool’s investments, receivables, and payables.

Fair Value

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant observable inputs.

At December 31, 2019, the District held investments in U.S. Agency Securities in the amount of \$3,309,626 with maturity dates between less than one year and five years. Given the low risk of these type of investments, the District has not established a policy limiting the amount of investments in this type of security and deems it unnecessary at this time. These investments are valued with Level 1 inputs.

CENTERRA METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2019

**NOTE 4: CAPITAL ASSETS**

Capital assets activity for the year ended December 31, 2019 is summarized below:

	<u>Balances</u> <u>12/31/18</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> <u>12/31/19</u>
<b>Governmental Activities</b>				
Capital Assets, not depreciated				
Construction in Progress	\$ 17,992,654	\$ 10,605,280	\$ 3,051,326	\$ 25,546,608
Water Rights	<u>3,423,082</u>	<u>-</u>	<u>-</u>	<u>3,423,082</u>
Total Capital Assets, not depreciated	<u>21,415,736</u>	<u>10,605,280</u>	<u>3,051,326</u>	<u>28,969,690</u>
Capital Assets, depreciated				
Monumentation	4,550,218	-	-	4,550,218
Landscape Improvements	10,200,789	-	-	10,200,789
Promenade Shops	20,988,826	-	-	20,988,826
Sanitary Sewer and Storm Drainage	118,843	-	-	118,843
Streets	<u>3,293,449</u>	<u>-</u>	<u>-</u>	<u>3,293,449</u>
Total Capital Assets, depreciated	<u>39,152,125</u>	<u>-</u>	<u>-</u>	<u>39,152,125</u>
Less Accumulated Depreciation				
Monumentation	2,895,395	227,511	-	3,122,906
Landscape Improvements	5,003,827	510,038	-	5,513,865
Promenade Shops	10,985,308	1,049,442	-	12,034,750
Sanitary Sewer and Storm Drainage	50,932	5,942	-	56,874
Streets	<u>505,431</u>	<u>164,674</u>	<u>-</u>	<u>670,105</u>
Total Accumulated Depreciation	<u>19,440,893</u>	<u>1,957,607</u>	<u>-</u>	<u>21,398,500</u>
Total Capital Assets, depreciated, Net	<u>19,711,232</u>	<u>(1,957,607)</u>	<u>-</u>	<u>17,753,625</u>
Governmental Activities, Capital Assets, Net	<u>\$ 41,126,968</u>	<u>\$ 8,647,673</u>	<u>\$ 3,051,326</u>	<u>\$ 46,723,315</u>

Depreciation expense was charged to the General Government activities of the District.

**NOTE 5: LONG-TERM DEBT**

Following is a summary of long-term debt transactions for the governmental activities for the year ended December 31, 2019:

	<u>Balance</u> <u>12/31/18</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>12/31/19</u>	<u>Due In</u> <u>One Year</u>
2018 Bonds Payable	11,105,000	-	-	11,105,000	-
Premium on 2018 Bonds	35,314	-	1,177	34,137	-
2017 Bonds Payable	185,360,000	-	2,325,000	183,035,000	3,765,000
Premium on 2017 Bonds	<u>4,726,058</u>	<u>-</u>	<u>162,968</u>	<u>4,563,090</u>	<u>-</u>
<b>Total</b>	<u>\$ 201,226,372</u>	<u>\$ -</u>	<u>\$ 2,489,145</u>	<u>\$ 198,737,227</u>	<u>\$ 3,765,000</u>

CENTERRA METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2019

**NOTE 5: LONG-TERM DEBT** (Continued)

**2017 Bonds Payable**

The District issued \$187,975,000 in Special Revenue Refunding and Improvement Bonds, Series 2017 (2017 Bonds), on April 26, 2017. The proceeds from the 2017 Bonds were used to refund the 2014 Loan in the amount of \$131,510,000; terminate the 2008 swap and 2014 swap with a termination payment of \$17,138,000; fund an Improvement Project Fund for further acquisition and construction of certain public infrastructure improvements in the District required for District development, consisting generally of streets, water, sanitary sewer, park and recreation, and related improvements; and to pay certain costs related to the issuance of the 2017 Bonds. Interest accrues at a rate of 2.70% through December 1, 2019 and 5.00% from December 1, 2019 through maturity. Payments of principal and interest are due annually on December 1 and payments of interest are due annually on June 1. The Bonds mature on December 1, 2047.

**2018 Bonds Payable**

The District issued \$11,105,000 in Special Revenue Refunding and Improvement Bonds, Series 2018 (2018 Bonds), on December 20, 2018. The proceeds from the 2018 Bonds were used to fund an Improvement Project Fund for further acquisition and construction of certain public infrastructure improvements in the District required for District development, consisting generally of streets, water, sanitary sewer, park and recreation, and related improvements; and to pay certain costs related to the issuance of the 2018 Bonds. Interest accrues at a rate of 5.25%. Payments of principal (beginning December 1, 2040) and interest are due annually on December 1 and payments of interest are due annually on June 1. The Bonds mature on December 1, 2048.

Both the Series 2017 and 2018 Bonds are secured by and payable from the Pledged Revenue consisting of monies derived by the District from the following sources, net of any collection costs: (1) Tax Increment Financing (TIF) Revenues, (2) the Required Mill Levy, (3) Public Improvement Fee (PIF) Revenues, and (3) any other legally available monies which the District determines to be treated as Pledged Revenue. The loan is also secured by amounts held by the Custodian in the Reserve Fund(s). Required Mill Levy means an ad valorem mill levy imposed upon all taxable property of Centerra Metropolitan District No. 2 each year in an amount sufficient to pay the principal, premium if any, and interest on the bonds as the same become due and payable and to make up any deficiencies in the Reserve Fund. The maximum Required Mill Levy is 72 mills and the minimum Mill Levy is 35 mills, with respect to Centerra Metropolitan District No. 2, adjusted for changes in the ratio, if any, of actual value to assessed value of property within the District. As of December 31, 2019, the adjusted maximum mill levy is 72 mills and the adjusted minimum mill levy is 35 mills. For collection year 2019, the Centerra Metropolitan District No. 2 levied 21.913 debt service mills. In addition, property excluded from District No. 2 is responsible for its proportionate share of District debt at the time of exclusion. For collection year 2019, District No. 2 levied 6.235 mills on property excluded in 2007 and levied 10.744 mills on property excluded in 2010, and levied 15.441 mills on property excluded in 2015.

CENTERRA METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2019

**NOTE 5: LONG-TERM DEBT** (Continued)

**Future Debt Service Requirements**

Annual debt service requirements for the Bonds Payable at December 31, 2018 are as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 3,765,000	\$ 9,734,762	\$ 13,499,762
2021	5,915,000	9,546,512	15,461,512
2022	8,185,000	9,250,762	17,435,762
2023	9,175,000	8,841,512	18,016,512
2024	10,515,000	8,382,762	18,897,762
2025-2029	54,305,000	33,013,810	87,318,810
2030-2034	14,220,000	24,371,810	38,591,810
2035-2039	19,015,000	20,361,060	39,376,060
2040-2044	26,115,000	14,952,276	41,067,276
2045-2048	<u>42,930,000</u>	<u>6,028,414</u>	<u>48,958,414</u>
Total Debt Service Requirements	<b><u>\$ 194,140,000</u></b>	<b><u>\$ 144,483,680</u></b>	<b><u>\$ 338,623,680</u></b>

**Authorized Debt**

On May 4, 2004, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$5,350,000,000 at an interest rate not to exceed 18% per annum. At December 31, 2019, the District had authorized but unissued indebtedness in the amount of \$4,710,953,391.

**NOTE 6: RELATED PARTIES**

The owners of portions of the property served by the District are Centerra Investments, LLC (CI, LLC); Centerra Properties West, LLC (CPW); and SMP4 Investments, Inc. (SMP4). The developer of the property is affiliated with CI, LLC, CPW, and SMP4. The members of the Board of Directors are employees, owners or are otherwise associated with the developer and have disclosed any potential conflicts of interest in taking action on matters brought before the Board. The District has repaid all amounts owed to CI, LLC, CPW, and SMP4 as of December 31, 2019.

CENTERRA METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2019

**NOTE 7: RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees, or natural disasters.

The District is a member of the Colorado Special Districts Property and Liability Pool (“Pool”) as of December 31, 2019. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials’ liability, boiler and machinery, and workers compensation coverage to its members. Settled claims have not exceeded this coverage in the past three years.

The District pays annual premiums to the Pool for liability, property, and public officials’ coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

**NOTE 8: COMMITMENTS AND CONTINGENCIES**

**Master Financing Agreement**

The Master Financing Agreement (MFA), dated January 20, 2004, was entered into among the District, the City, the Loveland Urban Renewal Authority (LURA), the developer, Centerra Public Improvement Collection Corporation, and Centerra Public Improvement Development Corporation. Pursuant to the MFA the LURA assigned the net TIF Revenues to the District for the purpose of financing certain public improvements. The MFA also requires the recording of the PIF Covenant against all of the property within the Commercial District to provide for the imposition of a Public Improvement Fee. In connection with the PIF the City agrees in the MFA to grant a credit against the collection of 1.25% of its 3.0% sales tax on taxable sales transactions occurring within the Commercial District. The MFA also provides for the payment to the District by the Residential District of 5.000 mills against the property in the Residential District (referred to as the Residential Contribution).

The MFA authorizes the District to provide for the construction or acquisition of certain public improvements.

CENTERRA METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2019

**NOTE 8: COMMITMENTS AND CONTINGENCIES** (Continued)

**TABOR Amendment**

TABOR Amendment - 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 government. The Amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of the Amendment.

The District has established an emergency reserve, representing 3% of fiscal year spending (excluding debt service), as required by the Amendment. At December 31, 2019, the emergency reserve of \$123,000 was recorded in the General Fund.

**NOTE 9: DEFICIT NET POSITION**

The District's unrestricted net position as of December 31, 2019 totaled \$110,130,571. This deficit amount was a result of the District being responsible for the financing and repayment of debt issued for the construction of public improvements which were conveyed to other governmental entities and which assets were removed from the District's financial records.

**NOTE 10: SUBSEQUENT EVENTS**

Potential subsequent events were considered through July 28, 2020. It was determined that the following event is required to be disclosed through this date.

**Covid-19**

As a result of the coronavirus pandemic (COVID-19), economic uncertainties may have economic implications on the financial position, results of operations and cash flows of the District. The duration of these uncertainties and the ultimate financial effects cannot be estimated at this time.

**REQUIRED SUPPLEMENTAL INFORMATION**

CENTERRA METROPOLITAN DISTRICT NO. 1

GENERAL FUND  
 BUDGETARY COMPARISON SCHEDULE  
 Year Ended December 31, 2019

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES			
Service Fees, District No. 2	\$ 423,497	\$ 488,496	\$ 64,999
Net Investment and Other Income	86,000	89,604	3,604
LURA Revenues (O&M)	2,986,219	2,977,528	(8,691)
<b>TOTAL REVENUES</b>	<b>3,495,716</b>	<b>3,555,628</b>	<b>59,912</b>
EXPENDITURES			
Current			
General Government			
Accounting and Financial Management	175,920	174,228	1,692
Audit	12,000	10,000	2,000
Directors' Fees	12,000	9,539	2,461
District Management and Administration	265,560	265,560	-
Engineering and Other Professional Services	10,000	19,613	(9,613)
Hardscape Maintenance	275,098	232,370	42,728
Insurance	37,897	45,911	(8,014)
Landscape Maintenance and Repairs	930,845	927,722	3,123
Legal	160,000	165,706	(5,706)
Major Repairs and Replacement	1,902,223	1,103,873	798,350
Office, Dues and Other	10,000	17,608	(7,608)
Utilities	144,915	206,898	(61,983)
Contingency	100,000	-	100,000
<b>TOTAL EXPENDITURES</b>	<b>4,036,458</b>	<b>3,179,028</b>	<b>857,430</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(540,742)</b>	<b>376,600</b>	<b>917,342</b>
FUND BALANCE, Beginning	2,316,468	2,560,466	243,998
FUND BALANCE, Ending	\$ 1,775,726	\$ 2,937,066	\$ 1,161,340

See the accompanying independent auditors' report.

**INDIVIDUAL FUND SCHEDULES**

CENTERRA METROPOLITAN DISTRICT NO. 1

DEBT SERVICE FUND  
 BUDGETARY COMPARISON SCHEDULE  
 Year Ended December 31, 2019

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES			
Service Fees, District No. 2	\$ 71,649	\$ 76,588	\$ 4,939
Service Fees, District No. 3	255	262	7
Service Fees, District No. 5	5,183	11,794	6,611
Net Investment and Other Income	450,000	707,335	257,335
LURA Revenues (Debt Service)	10,706,485	10,674,594	(31,891)
Public Improvement Fees (PIF)	73,013	49,545	(23,468)
	<u>11,306,585</u>	<u>11,520,118</u>	<u>213,533</u>
TOTAL REVENUES			
EXPENDITURES			
Debt Service			
Principal	2,325,000	2,325,000	-
Interest and Other Fiscal Charges	9,885,838	9,776,267	109,571
Loan Fees	6,000	34	5,966
City of Loveland, Collection Fees	73,013	49,545	23,468
Contingency	100,000	-	100,000
	<u>12,389,851</u>	<u>12,150,846</u>	<u>239,005</u>
TOTAL EXPENDITURES			
NET CHANGE IN FUND BALANCE	(1,083,266)	(630,728)	452,538
FUND BALANCE, Beginning	<u>18,279,167</u>	<u>18,278,500</u>	<u>(667)</u>
FUND BALANCE, Ending	<u>\$ 17,195,901</u>	<u>\$ 17,647,772</u>	<u>\$ 451,871</u>

See the accompanying independent auditors' report.

CENTERRA METROPOLITAN DISTRICT NO. 1

CAPITAL PROJECTS FUND  
 BUDGETARY COMPARISON SCHEDULE  
 Year Ended December 31, 2019

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
<b>REVENUES</b>			
Net Investment and Other Income	\$ 600,000	\$ 511,351	\$ (88,649)
<b>TOTAL REVENUES</b>	<u>600,000</u>	<u>511,351</u>	<u>(88,649)</u>
<b>EXPENDITURES</b>			
Current			
General Government			
District Management	35,000	29,094	5,906
District Master Planning	100,000	38,246	61,754
Engineering and Other Professional Services	500,000	418,000	82,000
Major Repairs and Replacement	-	14,564	(14,564)
Costs of Issuance	-	35,221	(35,221)
Capital Outlay	23,086,070	13,756,262	9,329,808
Contingency	3,000,000	-	3,000,000
<b>TOTAL EXPENDITURES</b>	<u>26,721,070</u>	<u>14,291,387</u>	<u>12,429,683</u>
<b>NET CHANGE IN FUND BALANCE</b>	(26,121,070)	(13,780,036)	12,341,034
FUND BALANCE, Beginning	<u>36,046,099</u>	<u>35,880,269</u>	<u>(165,830)</u>
FUND BALANCE, Ending	<u>\$ 9,925,029</u>	<u>\$ 22,100,233</u>	<u>\$ 12,175,204</u>

See the accompanying independent auditors' report.