

Loveland Urban Renewal Authority

Observations and Recommendations Report

November 3, 2025

Loveland Urban Renewal Authority Board
November 3, 2025
500 East Third Street
Loveland, CO 80537

LURA Board:

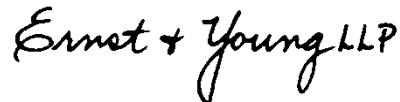
Further to the Agreement for Professional Services signed on December 18, 2024, between Ernst & Young LLP ("we" or "EY") and the Loveland Urban Renewal Authority ("you", "LURA" or the "Client"), we provided professional investigative and advisory services in connection with the Client's audit rights pursuant to Section 8.4 of the Centerra Master Financing and Intergovernmental Agreement established in 2004 (the "MFA") (the "Matter"). This report provides findings, observations and recommendations developed during our analysis of the electronic information, general ledgers, banking activity, financial transactions and supplementary supporting documentation within the scope of the forensic examination.

This report is intended solely for the Client's use. This report is not intended to be, and should not be, used by anyone other than the Client. EY therefore assumes no responsibility to any user of the report other than the Client. Any other person who chooses to rely on our report does so entirely at their own risk.

The scope of this engagement does not constitute a rendering of any legal advice, and because our engagement was limited in nature and scope, it cannot be relied upon to discover all documents and other information or provide all analyses that may have importance to this Matter. This engagement does not constitute a compilation, review, audit, or other form of assurance (as those terms are defined in generally accepted auditing standards or other professional literature) of the financial records or the financial statements of the parties to the MFA or any affiliated entities or business units, and accordingly, we do not express any form of assurance.

We appreciate working with you and would be happy to discuss our findings in detail during a time that is suitable for you.

Regards,

A handwritten signature in black ink that reads "Ernst & Young LLP". The signature is written in a cursive, flowing style.

Ernst & Young LLP

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1. Executive summary

The Board of Directors of the Loveland Urban Renewal Authority (LURA) engaged EY to perform a forensic examination of the activities and financial transactions that occurred under the scope of the Centerra Master Financing and Intergovernmental Agreement established in 2004 (MFA). LURA engaged EY to perform the examination under its authority pursuant to Section 8.4 of the MFA.

The MFA established in 2004 was a multi-party, public-private agreement intended to fund public improvements in the Centerra urban renewal area (URA), with a 25-year term. The MFA included provisions whereby public bonds would be issued to fund public improvements, paid for via Tax Increment Financing (TIF) and other fees within the district. The parties to the MFA included the following:

- The City of Loveland, Colorado
- The Loveland Urban Renewal Authority (LURA)
- Centerra Properties West, LLC (CPW, a privately held limited liability company)
- Centerra Metropolitan District No. 1 (Metro District, a quasi-municipal corporation)
- The Centerra Public Improvement Collection Corporation (PIC, a private non-profit)
- The Centerra Public Improvement Development Corporation (PID, a private non-profit)

EY's examination focused principally on the activities and financial records of the Metro District as the primary entity responsible for conducting Public Improvements under the MFA.

EY derived observations, findings and recommendations from a combination of document review, data analysis and interviews performed from February 6, 2025, through October 13, 2025. We relied primarily on documents and information provided by Pinnacle Consulting Group, Inc. (Pinnacle) and Icenogle Seaver Pogue, P.C. (Pogue) in their roles advising the Metro District. Our examination consisted of an initial review based on foundational document requests and an analysis of financial data followed by substantive testing divided across the following three categories:

1. Procurement process testing. Public competitive bidding processes are designed to maximize fair competition, transparency, accountability and value for taxpayers. We performed testing to determine whether the processes undertaken by the Metro District conformed to the MFA, statutory requirements and the Metro District's policies and procedures.
2. Disbursement process testing. Expenditures of the Metro District represent disbursements of funds derived from taxpayers and should be subject to appropriate review, approval and recognition. We performed testing to determine whether disbursements from the Metro District represented appropriate use of funds under the MFA, were properly supported and were accurately reflected in the Metro District's financial statements.
3. Related party transaction testing. Transactions with related parties are at risk of not being entered into on an "arms-length" basis, heightening the risk that the Metro District enters into contracts that are not fair, transparent or in the best interest of the Metro District, LURA or the taxpayers. We performed testing to determine whether potential conflicts of interest were appropriately disclosed in accordance with MFA and statutory requirements and that transactions with related parties were evaluated and disclosed as such.

Below is a summary of EY's observations based on the procedures described herein. EY's examination was not exhaustive and relied on limited, non-statistical, judgmental sampling. Additional details regarding our observations and recommendations to LURA can be found in Sections 4-6 of this report.

Procurement process observations

- The Metro District did not follow the procurement process for vendor pre-qualification as required by the MFA.
- The Metro District did not solicit public bids for all types of “Construction” contracts, as that term is defined in the MFA to include design, maintenance, repair and operation.
- The Metro District did not provide evidence that a bid abstract sheet was used or maintained, as required by the MFA, which was to be used to document the receipt of bid submissions.
- The Metro District awarded one contract to a bidder which appears not to conform to requirements in the bid solicitation and one contract which contained a change order for additional scope on a project that appears should have been subject to the MFA public bid requirements.

Disbursement process observations

- The Metro District’s books and records included exceptions related to expense classification in the general ledger (GL), missing expense approval documentation and expenses recognized in the incorrect period.

Related party transaction observations

- The Metro District does not perform and document formal procedures to evaluate (1) whether transactions with related parties are entered into at arms-length or (2) that such transactions are in the best interest of the Metro District, LURA and the taxpayers.

EY’s recommendations with respect to the above observations are detailed in Sections 4-6 of this report and are summarized as follows:

Procurement process recommendations

- LURA should consider one of the two following options:
 1. Consider formally assessing the procurement practice currently used by the Metro District and evaluate a possible amendment to the MFA to align to current practice; or
 2. Instruct the Metro District to institute written procedures which adhere to the MFA procurement process and cause regular reviews to be performed to ensure the Metro District is following the MFA procurement process.
- LURA should consider additional forensic procedures regarding procurements conducted by Centerra Properties West, which was also required to follow the MFA procurement procedures, to determine whether similar issues exist for construction projects funded by the PIC. It appears \$34.5 million was paid to Centerra Properties West between 2008 and 2023 based on the check registers provided.
- LURA should consider causing the remaining 37 bid awards to be assessed for potential instances of awards for which the selected contractor was not the lowest bidder to understand why the lowest bidder was not chosen for both Metro District and Centerra Properties West procurements.
- LURA should solicit legal advice from counsel regarding the interpretation of “construction contracts” in Exhibit L to the MFA, and whether all aspects of the defined term “Construction”, fall within the requirements of this exhibit. LURA should consider this advice and whether it aligns with LURA’s expectation for the types of services subject to the public bid process and if any amendments to the MFA should be considered.
- If the determination is made that all aspects of the defined term “Construction” should have been subject to Exhibit L, then LURA should consider expanded testing on project spend prior to 2015 and non-project spend to date.

- LURA should instruct the Metro District to implement the requirement of the MFA to maintain a bid abstract sheet, or otherwise memorialize, the date, time, and manner in which bid submissions are received to evidence that all bids are appropriately received prior to the bid period deadline.
- LURA should consider causing the remaining 37 contracts, not included in EY's initial sample testing, to be assessed for potential instances of non-compliance with the MFA and/or other areas of process improvement.
- LURA should consider expanding the existing sample to include contracts prior to 2015 to determine whether the \$18.4 million spent from 2009 to 2014 includes potential instances of non-compliance and/or other areas of process improvement.
- LURA should consider requesting the Metro District formalize processes to evaluate if change orders representing potential scope changes should be subject to the Competitive Bidding requirement, included in Exhibit L of the MFA.
- LURA should consider requesting the Metro District formalize processes to contemporaneously document known exceptions to Exhibit L and/or its current procurement practices.

Disbursement process recommendations

- LURA should consider causing periodic reviews to be performed on a go forward basis to review for potential errors in the books and records of the Metro District which may result in inaccurate coding, expenses being recognized in the incorrect period, expense approvals not occurring or being properly documented or other exceptions which may be found through these procedures.
- LURA should consider coordinating with Pinnacle Consulting to determine the root cause of these errors and establish how procedures can be put in place to prevent similar errors going forward, including providing updates on how errors may have impacted prior reporting to LURA.
- Along with the Metro District board, the LURA board should consider whether a month-end close process would be beneficial.
- LURA should consider recommending that the Metro District report unaudited financials on a quarterly basis to LURA, if this is not already a requirement.

Related party transaction recommendations

- LURA should consider requesting that the Metro District formalize processes to evaluate and report to LURA on transactions and contracts with related parties. Such formalized processes may include:
 - An evaluation and determination of the "arms-length" nature of transactions with related parties,
 - Documentation that such transactions are in the best interest of the Metro District, LURA and the taxpayers,
 - That the evaluations be provided to the Metro District board when approving transactions with related parties
 - That such evaluations be documented and maintained by the Metro District and available for LURA's review upon request, and
 - That the Metro District provide periodic reports to LURA including details of transactions with related parties.

2. Project scope and approach

LURA engaged EY on December 18, 2024, to provide professional services regarding activities and financial transactions related to the MFA. EY held an engagement kick-off meeting on February 6, 2025. EY conducted fieldwork from February 12, 2025, through October 13, 2025.

The Metro District is a quasi-municipal entity established at the inception of the MFA, whose role was to engage in various Public Improvements as defined by the MFA. The Metro District is also the holder of public bonds issued under the MFA, and the debt service on the bonds is paid by the Metro District with funds received from Tax Increment Financing (TIF) and Public Improvement Fees (PIF) collected within the Centerra Urban Renewal Area. LURA's and the City of Loveland's audit rights under the MFA extend to the entirety of the Metro District's books and records. EY's procedures focused principally on the records and activities of the Metro District.

The scope period for EY's examination is from the inception of the MFA in 2004 to the present date. During our kick-off meeting with Pinnacle and Alan Pogue, described below, we were informed that the Metro District migrated to its current accounting system in 2009, and data is not available prior this date. Pinnacle provided accounting data through 2023, corresponding to the latest year that audited financial statements had been issued as of the date of EY's request. Pinnacle provided public procurement information from 2015-2023, corresponding to a transition from paper-based recordkeeping. Our procedures focused on MFA related activities and financial transactions within these time frames.

Based on the terms of the MFA, other parties, specifically the PIC and CPW, are responsible for handling or are beneficiaries of public funds. Through our analysis of Metro District accounting data and other documents provided, we gained a limited understanding of the scope of funds movements to and from these entities. Additional procedures focusing on the governance, cash flows and activities of these entities are included in our recommendations.

EY's examination involved the following high-level workstreams split into two phases:

Foundational requests and initial analysis

1. Governance document analysis
2. Completeness testing and validation
3. Accounting data analysis

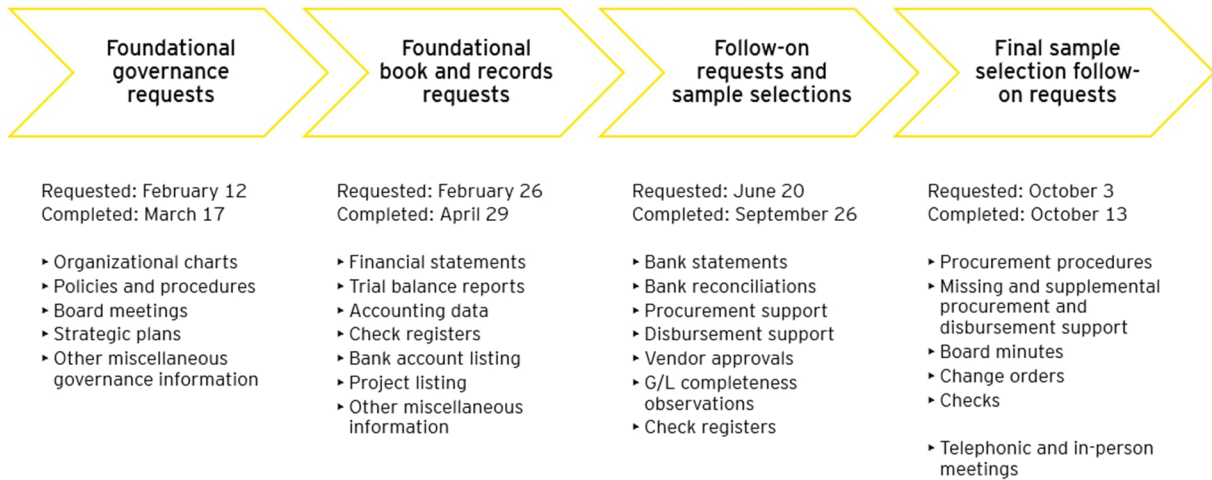
Detail process and transaction testing

1. Procurement process testing
2. Disbursement transaction testing
3. Related party transaction testing

2.1 Summary of documentation received and project timeline

Throughout the engagement, EY collaborated with Pinnacle and Pogue to obtain governance documents and other supporting documents and data maintained by the Metro District. During the course of the engagement, EY received financial data spanning 15 years, from 2009-2023, with over 90,000 line items representing \$1.26 billion in cash flows. EY received over 5,800 files across the request categories described in Graphic 1. EY conducted in-person and virtual discussions with Pinnacle and Pogue on October 1 and October 2, 2025.

Graphic 1 – Documentation requests



3. Analysis of foundational requests

Following the engagement kick-off meeting on February 6, 2025, EY submitted initial foundational requests to Pinnacle and Pogue to enable our assessment of historical information and to inform our detailed sample selections.

To gain an understanding of the parties involved in the MFA, the roles and responsibilities of each party, the intended sources and uses of funding under the MFA, and the specific requirements of the MFA that would be the basis of further testing, EY requested and reviewed governance documentation.

EY received documents and information supporting the inception of the MFA, the establishment of entities involved as parties to the MFA and the historical operating activities of the PID, the PIC and the Metro District. This documentation generally included the MFA and its amendments, contracts and agreements, policies and procedures and board meeting packets. EY also received annual compliance reports prepared by the City of Loveland.

3.1 Flow of funds analysis

EY received a general ledger (GL) extract from the Metro District's accounting system for fiscal years 2009-2023, and prepared a summary of the cash flows into and out of the Metro District based on the activity observed in the GL.

In support of this summary, EY analyzed transactions appearing in GL accounts associated with bank accounts, which represent cash inflows and outflows of the Metro District as well as cash transfers. We summarized inflows and outflows based on the source, destination, date, and vendor name (if applicable). Transactions that could be identified as transfers between Metro District accounts were excluded from further analysis. We also analyzed payments issued via check from 2009 to 2023, making note of any sequence breaks in check numbers and summarizing payments by year and account.

In addition, while not incorporated into the GL detail of the Metro District, we received check registers from the PIC, which were included in annual audit workpapers for 2008-2023. These check registers show that the PIC has made payments to CPW totaling at least \$34.5 million in that time frame. We do not have enough information to conclude whether this represents all payments that CPW has received or whether these payments all represent developer reimbursements under the MFA.

Section 8 of the MFA governs the documentation necessary to be maintained by Constructors¹ receiving reimbursements for performing Public Improvements. Section 8 generally relates to records maintained by CPW and PID and requires the following documents to support reimbursement:

- An itemized statement of the cost and expenses for which the Constructor seeks reimbursement
- A certification signed by the president or a principal of the Constructor stating the information contained in the itemized statement is true, correct and accurate
- Copies of each check or other evidence Reasonably acceptable to the Payor of payment made or to be made by the Constructor
- Written consent and agreement to comply with the terms and provisions of Section 8

We recommend further analysis of the \$34.5 million to evaluate compliance with the MFA.

The flow of funds visualized in Graphic 2 is based solely on transaction details present in the Metro District's GL files from 2009-2023 as well as check registers of the PIC from 2009-2023 showing reimbursements paid to CPW. Note the \$34.5 million of cash flows from the PIC to Centerra Properties

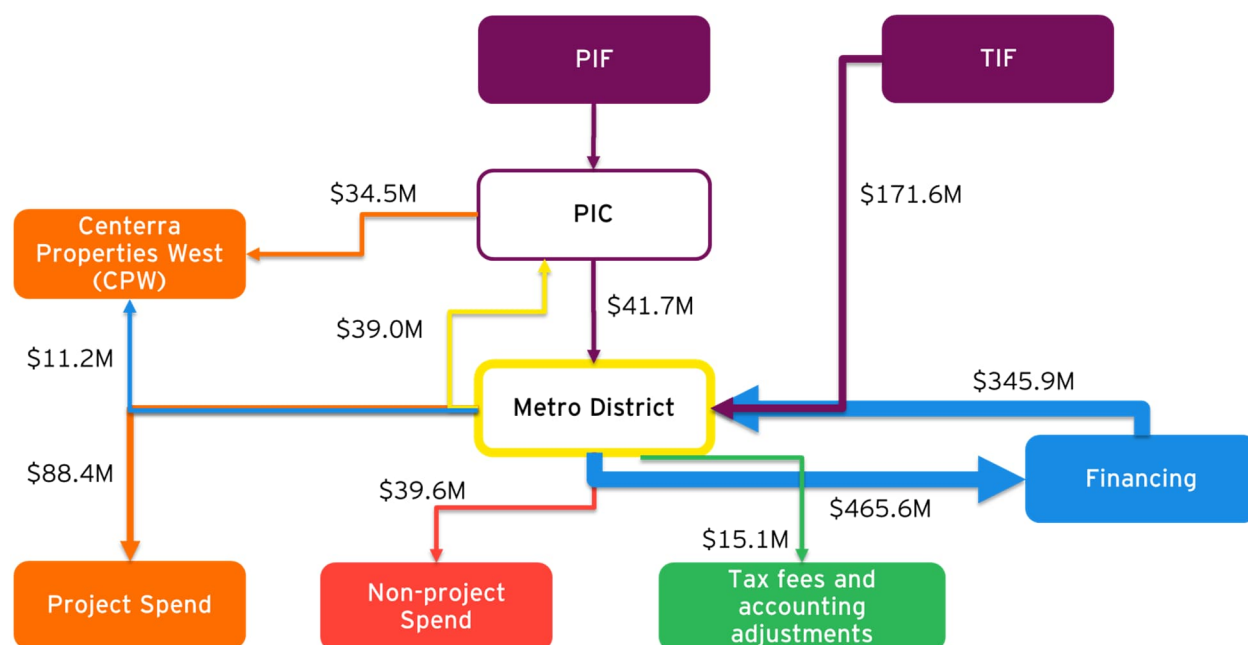
¹ Constructor is defined in the MFA to include CPW and the PID along with any affiliates of CPW to the extent they construct Public Improvements. Accordingly, the recordkeeping requirements for these entities receiving public funds are more stringent than the Metro District.

West is not complete and only represents activity from 2008 to 2023 that can be observed in check registers included in the PIC's annual audit files.

As shown in Graphic 2, the Metro District's primary sources of funding included public bonds and the Tax Increment Financing (TIF) established by the MFA along with receipts from the PIC, which were intended to be used for ongoing debt service and, if unused, were sent back to the PIC to be used for developer reimbursements. Disbursements from the Metro District, in addition to debt service, were primarily vendor payments for Local Improvements (as defined by the MFA) designated for specific projects or into other non-project categories.

We categorized the spend between \$88.4 million of Project Spend and \$39.6 million of Non-project Spend based on general ledger accounts in the GL detail which relate to either specific projects undertaken by the Metro District or are general use accounts. For example, GL account 55105 - Savanna 2nd Subdivision is intended for expenditures specific to that project whereas account 52100 - Landscaping is not specific to a project or parcel within the Centerra URA.

Graphic 2 – MFA flow of funds diagram²



3.2 Completeness testing and normalization

The purpose of the foundational requests was to enable our assessment of historical information and to inform our detailed sample selections. Prior to making detail sample selection, EY performed the following procedures to assess the completeness of the GL data and the extraction of expense information:

1. GL completeness analysis. EY conducted an analysis of the GL data for the fiscal years 2009 through 2023. For each fiscal year, we compared the GLs with the trial balances and financial statements to identify any variances. We flagged variances and included these in our follow-up

² In many cases, the source or recipient of funds is not explicitly listed in the GL detail. EY utilized a combination of entity names, bank account descriptions, GL account descriptions and transaction memoranda to categorize and assign the sources and destination of cash transactions. Transactions that were deemed cash transfers across Metro District bank accounts were excluded from these figures. Additional information or data may reveal additional sources or destinations of funds or change these results.

requests to be addressed with Pinnacle. Upon receiving explanations from Pinnacle regarding the variances observed, EY determined that the intra-period GL detail received for each year rolled forward from each beginning to ending balance and was reflective in the historical financial statements of the Metro District.

2. Expense transactions extraction. Using the account codes designated as expenses per the Metro District's chart of accounts, we extracted the expense transactions from the GL for each fiscal year from 2009 to 2023 and consolidated them into a single file. To confirm completeness of the extraction, we compared the total expenses recorded in the GL against the total expenses in the trial balance and financial statements.
3. Vendor name normalization. We noted that the GL data contained variations on many vendor names. We standardized vendor names into a consolidated list and eliminated duplicates to allow for grouping transactions by vendor.

3.3 Detailed sample selections

After performing our data validation and normalization procedures, EY analyzed GL transactions across multiple dimensions in order to understand the activities and uses of funds of the Metro District and to compare these to the MFA and other foundational request documents for initial indications of exceptions, anomalies or unusual trends or activity.

Project spending

Prior to EY's engagement, concerns were raised publicly regarding the Metro District's compliance with procurement and competitive bidding requirements. These concerns included insufficient notice periods, failure to publish notices, missing documentation, inadequate project descriptions and parcels where contemplated private development had not materialized. Furthermore, funds were reportedly allocated to projects that did not meet the definition of Public Improvements per the MFA.

EY received a capital project listing from Pinnacle detailing 46 projects that were put to public bid from 2015 to 2023. The project listing included each project name, all bidders to the project, the awarded bidder, the contract signing date and the project dates. EY utilized this listing to analyze GL activity associated with projects. We summarized project spending across various dimensions such as project, year and vendor and analyzed patterns, trends and outliers with respect to project vendors, project timelines and amounts.

We selected nine projects for inclusion in sample testing based on the previously listed concerns in addition to our own observations based on the analysis described above, which included instances where payments were made to vendors which exceeded the award amount, projects with no indication of public bids, vendors who received greater than \$60,000 with no bid awarded, and spending that occurred outside of project timelines. The sample included \$11.9 million of the \$51.1 million awarded through public bid since 2015. See Table 1 for the listing of projects selected and Appendix A for a detailed listing of all bids encompassed in the sample testing.

Table 1 – Project sample selections

No.	Project Name	Project Start Date	Project Completion Date
1	Parcel 206 Infrastructure	6/6/2016	8/13/2019
2	Parcel 206 Interim Surface Parking	9/6/2016	10/21/2019
3	Parcel 206 Sanitary Sewer	1/25/2016	3/19/2018
4	Parcel 504 Public Landscaping	4/16/2019	6/16/2021
5	Parcel 504 Onsite & Offsite Public Infrastructure	9/20/2018	7/20/2021
6	Parcel 505 Lift Station	8/7/2017	5/4/2021
7	Parcel 505 Public Infrastructure	7/7/2017	9/20/2020

No.	Project Name	Project Start Date	Project Completion Date
8	Boyd Lake Kendall Parkway Landscaping	9/6/2021	10/31/2023
9	Savanna 2nd Subdivision	8/8/2017	5/15/2020

In addition, based on the analysis of spending across various dimensions such as project, year and vendor and analyzed patterns, trends and outliers with respect to project vendors, project timelines and amounts, EY identified certain anomalies, detailed in Table 2, that represented potential high-risk transactions. We included the related risk attributes in our determination of disbursement transaction sample selections.

Table 2 – Procurement potential anomalies flagged during analysis

Analysis category	Number of transactions	Dollar value ³	Percent of total project spend
Payment to vendors exceeding award amount	26	\$5,880,816	6.60%
Projects with no indication of public bids	11	\$16,527,950	18.70%
Vendor spend > \$60k with no bid awarded	30	\$6,221,959	7.00%
Spending outside project timelines	38	\$12,101,502	13.60%

Related party spending

The basis for determining potential related parties consisted of individuals or entities associated with parties to the MFA as well as entities associated with the board members of the Metro District, PIC and PID. EY performed open-source research to identify potential related parties, compiling a listing of the entities along with their corresponding addresses. Subsequently, we compared company names identified through research to vendor names appearing in the GL. EY also obtained an organizational chart detailing the board members and employees for the Centerra Metro Districts, as well as the PIC and the PID. We compared vendor names from the vendor list against organizational charts to identify potentially related parties. Furthermore, we examined the addresses to find vendors sharing identical locations.

Finally, we identified the subset of disbursements that may qualify as related party transactions. The related party entities listed in Table 3 had the highest amount of vendor spending by the Metro District.

Table 3 – Related party disbursements

Total Disbursements	Vendor
\$4,859,946	McWhinney Real Estate Services, Inc. received payments for a range of services including project and park management, landscaping, event programming, maintenance, marketing, as well as engineering and surveying.
\$2,701,960	Centerra Properties West is a party to the MFA and receives fundings from Metro District related to developer repayments, engineering and surveying, permits and fees, hardscape maintenance, park management, legal services, and storage.
\$1,420,275	Centerra Retail Sales Fee Corporation is a private nonprofit corporation established to collect a 1% fee within specific Centerra retail zones. In 2011, the Metro District repaid a capital advance to RSF for \$1.2M plus interest.

³ Values represent 2015-2023 activity, in line with the capital projects listing received.

We included the related risk attributes in our determination of disbursement transactions sample selections.

Disbursements analysis and sample selection

EY analyzed vendor expenditures across both project and non-project categories to understand the scope of disbursements made by the Metro District over time. We compared expenditures with information appearing in the vendor master listing and identified one-time vendors, incomplete vendor records, individual payees and potential related parties for further review. We also identified high-value payments not explicitly tagged to projects as well as vendors with significant spending in both project and non-project categories. We analyzed non-project expenses by type and amount.

EY identified transactions in the GL that met the following criteria for elevated risk:

- Developer reimbursements
- Related party transactions
- Round dollar amounts
- Repeated dollar amounts
- Vendors with high non-project spend

EY judgmentally selected 73 sample disbursements that included risks identified in the project spending, related party spending and/or high-risk disbursements. The sample focused on transactions meeting multiple criteria and obtaining coverage across various criteria, dollar amounts, and years. For these samples, EY requested supporting documentation to assess compliance with procurement requirements, related party disclosure requirements and documentation requirements, as applicable. See Appendix B for a list of the disbursement transactions selected.

4. Procurement process testing

EY sampled nine contracts issued via the Metro District's competitive bidding process. The public competitive bidding processes and related controls are designed to maximize the following:

- Fair competition – Provide equal opportunity for competition among qualified vendors and create an environment for efficiency and best use of taxpayer funds
- Transparency and accountability – Prevention of perceived or actual favoritism, corruption and misuse of public funds
- Value for taxpayers – Comparison of multiple offers and selection of best price from a qualified vendor

EY analyzed the MFA to identify the requirements for competitive procurement. Graphic 3 shows specific sections of the MFA that apply to the Metro District's construction and procurement procedures.

Graphic 3 – MFA procurement requirements

<p>6.3.2 <u>Local Improvements.</u> For all work commencing on or after January 20, 2004, Constructors and the Service District shall comply with the contract procurement processes set forth on Exhibit “L” for all construction contracts for work or material, or both, involving the Public Improvements.</p>
<p>1.24 “Construct”, “Constructed” and/or “Construction” shall mean, refer to and Include the design, construction, installation, maintenance, repair, replacement, reconstruction, improvement, expansion and operation of the described improvements.</p> <p>1.25 “Constructor” shall mean and refer to the PID, the Developer and/or its Affiliates to the extent such Persons Construct Public Improvements.</p>

Section 6.3.2 of the MFA makes reference to Exhibit L to the MFA (Exhibit L), which dictates the contract procurement process. Exhibit L, which formed the basis of our evaluation, is included as Attachment 1.

Additionally, the Colorado Special District Act (Title 32 of the Colorado Revised Statutes) provides the legal framework for the formation, governance, and operations of special districts, which are quasi-municipal entities created to deliver public services like water, sewer, roads, and parks. Among its provisions is the requirement for competitive bidding on construction contracts that exceed a certain dollar threshold. At the inception of the MFA, this threshold was \$25,000, which is the amount listed in Exhibit L. In 2006, the threshold was raised to \$60,000, and in 2023 was raised again to \$120,000. EY confirmed that every contract in the scope of our testing of an amount greater than \$60,000 was signed prior to the effective date that raised the threshold to \$120,000. For the purposes of our analysis and testing, therefore, we applied a threshold of \$60,000 to determine whether the requirements of Exhibit L were applicable.

4.1 Procurement process testing procedures performed

From 2009-2023, based on GL activity, the Metro District made expenditures totaling \$88.4 million associated for specific Public Improvement projects. EY performed analysis on this project spending to assess compliance with the Competitive Bidding requirement and the Contract Procurement Process in Exhibit L. EY compared transactional information in the Metro District's GL to a list of project dates, bid

timing and awarded bidders provided by Pinnacle. EY judgmentally selected a sample of nine of the 46 project awards contained in the project listing provided by Pinnacle.

EY requested the following documentation for the nine samples:

1. Bid Invitations, revisions and cancellations
2. Bid Proposals, revisions, amendments and withdrawals
3. Documentation of proposal guarantees
4. Prequalification documentation
5. Bid abstract sheet
6. Documentation of review or scoring of the bids
7. Bid Rejection notices
8. Performance capability statements
9. Documentation of review of the performance capability statements
10. Contract Award Notice
11. Cancellation of Award, if applicable
12. Execution and approval of contract
13. Documentation of surety bonds

EY assessed the documentation provided for alignment with the procurement process set forth in Exhibit L and, separately, the stated procurement practices performed by the Metro District.

Additionally, EY engaged in discussions with Pinnacle and Pogue on October 1 and October 2, 2025, to better understand the documentation provided, discuss EY's preliminary observations and to clarify our understanding of the Metro District's current procurement practices.

4.2 Procurement observation 1: Exhibit L not utilized

The Metro District did not perform the procurement process for vendor pre-qualification required by Exhibit L, which requires that all bidders be prequalified and that the lowest bid submitted by a pre-qualified bidder be awarded. Graphic 4 shows specific sections in Exhibit L that describe requirements the Metro District must follow to pre-qualify prospective bidders and only accept bids from contractors who have been pre-qualified.

Graphic 4 – Pre-qualification requirements

<p>1.9 <u>Criteria for Receiving Bids</u></p> <p>Bids will be received only from contractors that are prequalified at the time of bid opening in accordance with the provisions of Section 2.0 below, and not currently debarred or suspended by the Service District / Constructor.</p>
<p>2. 03 <u>Prequalification Application</u></p> <p>A contractor who wishes to submit a bid for a public project is required to file a prequalification application with the Service District / Constructor or designee. Any new application or renewal application must be submitted not less than ten calendar days prior to the opening of any bid or projects on which the contractor desires to submit a bid.</p>

Pinnacle indicated that the Metro District utilized a separate procurement practice and performed an evaluation of bidders after the bid amounts were revealed. This process, which occurred from at least 2015 and for awarded contracts totaling \$51 million, appears inconsistent with the requirements of Exhibit L and resulted in at least one instance in which the lowest bidder was not selected.

Detailed observations

Based upon conversations with Pinnacle and Pogue as well as bid documentation and the Bid Process Tracker provided by Pinnacle, it appears that the Metro District's process did not include the prequalification process as detailed in Exhibit L.⁴ The Bid Process Tracker shown in Graphic 5, utilized by Pinnacle, outlines the steps Pinnacle and other responsible parties took to conduct public procurement, which do not conform to Exhibit L.

Graphic 5 – Pinnacle bid process tracker

Item	Description	Responsible Party
Pre-Bid Planning		
1	Project Overview Meeting	PCGI, PM, ENG
2	Distribute Bid Tracker	PCGI
Bidding		
1	Submit Invitation to Bid Publication	PCGI
2	Notify Potential Bidders	PCGI
3	Complete Drafting Bid Tab and Special Provisions	PM, ENG
4	Finalize Bid Package	PCGI
5	Invitation to Bid Published	PCGI
6	Distribute Bid Packages	PCGI
7	Conduct Mandatory Pre-Bid Meeting	PCGI, PM, ENG
8	Issue First Addendum w/ Pre-Bid Meeting Notes and Roster	PCGI
9	RFI Deadline	PCGI
10	Issue Final Addendum	PCGI
11	Public Bid Opening	PCGI
12	Bid Review, Reference Checks, Bid Comparison	PCGI
13	Project Manager Bid Review	PM
14	Conduct Interviews	PCGI, PM, ENG
15	Update Capital Fund Summary	PCGI
16	Finalize Bid Summary Memorandum	PCGI
17	District Board Meeting to Select Contractor	BOARD
Contracting		
1	Finalize Construction Contract	PCGI
2	Issue Construction Contract with Notice of Award	PCGI
3	Execute Construction Contract	PCGI

Our sample testing of nine contract awards identified one instance in July 2016 in which the lowest bidder was not selected for the contract award.

For the Savanna 2nd Subdivision Public Infrastructure project, two bids were submitted, one by Duran Excavating, Inc. for \$1,728,228 and one by Premier Earthworks & Infrastructure, Inc. for \$1,737,913. EY noted that Pinnacle did not provide a bid summary memo, which was provided for public bids and generally included Pinnacle's recommendation for whom to award the contract. Pinnacle did provide the comparison of amounts bid by each contractor.

The Record of Proceedings for the Metro District's July 21, 2016, board meeting included the following summary:

Ms. Starman reviewed the public bid results for public infrastructure improvements, which included pipe work to be completed in the fall and winter and paving work to be completed in the spring. Ms. Starman reported that two contractors submitted bids, Duran Excavating and Premier Earthworks & Infrastructure (PEI). Ms. Starman distributed and reviewed the bid analysis with the Board noting that PEI submitted the *lowest most responsive bid* and therefore recommended awarding the contract to PEI. Upon motion duly made by Director Kane, seconded by Director Den Herder, and upon vote, unanimously carried, it was RESOLVED to approve the Construction Contract to Premier Earthworks & Infrastructure in the amount of \$1,737,913.43. (*emphasis added*)

⁴ Refer to MFA Exhibit L, Section 2.

Exhibit L does not contemplate an assessment of the “most responsive bid.”

During in-person discussions, Pinnacle explained the difference in bids between the two bidders was 0.56%, and the higher bidder was selected by the Board of Directors because Premier Earthworks & Infrastructure, Inc. was already mobilized within the Metro District area and successfully performing and nearing the completion of a nearby project called Savanna 206 Sanitary Sewer.

Recommendation

- LURA should consider one of the following two options:
 1. Consider formally assessing the procurement practice currently used by the Metro District and evaluate a possible amendment to the MFA to align to current practice; or
 2. Instruct the Metro District to institute written procedures which adhere to the procurement process in Exhibit L and cause regular reviews to be performed to ensure the Metro District is following the procurement process in Exhibit L.
- LURA should consider additional forensic procedures regarding procurements conducted by CPW, which is also required to follow the MFA procurement procedures, to determine whether similar issues exist for construction projects funded by the PIC. It appears \$34.5 million was paid to CPW between 2008 and 2023 based on check registers examined.
- LURA should consider causing the remaining 37 bid awards to be assessed for potential instances of awards for which the selected contractor was not the lowest bidder to understand why the lowest bidder was not chosen for both Metro District and CPW procurements.

4.3 Procurement observation 2: Non-solicitation of public bids

The MFA requires that all construction contracts above a defined threshold must be put to public bid. Graphic 6 shows the definition of Construction in Section 1 of the MFA along with the preamble to Exhibit L describing the scope of its application.

Graphic 6 – Construction definition and requirements

1.24 “Construct”, “Constructed” and/or “Construction” shall mean, refer to and include the design, construction, installation, maintenance, repair, replacement, reconstruction, improvement, expansion and operation of the described improvements.

**EXHIBIT “L”
to Centerra Master Financing
and Intergovernmental Agreement
Contract Procurement Processes**

GENERAL PURPOSE: All construction contracts greater than \$25,000 or such higher amount as may be established in the Special Districts Act, for Local Improvements by the Service District/Constructor, shall be awarded by a Competitive Sealed Bidding Process (outlined in Sections 1.0 and 2.0 below).

In particular, Construction is defined in the body of the MFA to include:

- "...design, construction, installation, maintenance, repair, replacement, reconstruction, improvement, expansion, and operation of the described improvement."⁵

For the nine sampled projects, the Metro District did not solicit public bids for all the elements included in the definition of Construction, e.g., design activities and ongoing maintenance.

Detailed observations

We identified \$6.2 million of project spend from 2015-2023 that was not subject to public bid but potentially should have been depending on the interpretation of the definition of "Construction." Bid and award details from prior to 2015 were not made available, but the GL shows \$18.4 million of project spending from 2009-2014 that may also include construction contracts that were not subject to public bid. See Table 4 for a summary of project contracts exceeding \$60k with no public bid.

Table 4 - Summary of project contracts exceeding \$60k with no bid

Project Name	Project Spend ⁶
Boyd Lake Avenue South Public Improvements	\$711,990
Hahn's Peak Extension	\$104,515
Kendall Parkway Underpass Bus Station Enhancements Phase 1	\$556,656
Kendall Parkway/Rocky Mountain to Centerra Parkway	\$131,330
Myers Group 5th Infrastructure	\$184,702
Northwest Arterial Roadways Public Infrastructure	\$350,793
Northwest Arterial Roadways Public Infrastructure Phase 2	\$299,160
Parcel 206 Infrastructure	\$601,433
Parcel 206 Overlot Grading	\$144,504
Parcel 206 Sanitary Sewer	\$71,866
Parcel 222 Bid Pack 2	\$308,204
Parcel 301 Public Infrastructure	\$191,680
Parcel 504 Onsite & Offsite Public Infrastructure	\$1,537,722
Parcel 505 Public Infrastructure	\$249,231
Parcel 505/Interchange Lift Station/McWhinney Blvd	\$270,002
Regional Detention Pond	\$193,233
Savanna 2nd Subdivision	\$238,511
Savanna 2nd Subdivision-Kendall Parkway Phase 2	\$106,457
Total	\$6,251,989

Table 5 below details additional projects with spending greater than \$60,000 since 2015 with no public bid process undertaken.

⁵ Refer to MFA Section 1 - Definitions, the definition of "Construct", "Constructed" and/or "Construction".

⁶ Project expenditures reflect spending from fiscal year 2015 onward.

Table 5 – Projects with no public bids

Project Name	Project Spend
Chapungu Park ⁷	\$1,729,713
Boyd Lake Ave - Phase 1 ⁸	\$1,258,335
37th Street	\$867,000
Centerra East	\$516,213
Centerra Parcel 504 Phase III	\$475,557
Myers Group 5th Landscaping Re-Bid/Myers Subdivision Public Flatwork	\$229,986
Parcel 601	\$74,916
Centerra Crossroads	\$73,978
Total	\$5,225,699

In addition to the \$88.4 million in expenditures associated with specific projects from 2009-2023, the Metro District had vendor disbursements totaling \$39.6 million that were not for specific projects. A significant portion of this non-project spending also falls within the definition of Local Improvement in the MFA and therefore would also be subject to the requirements of Exhibit L based on the same interpretation of “Construction.” See Table 6 below for a list of accounts that may include Local Improvement spending, which total \$35.1 million.

Table 6 – Summary of non-project GL accounts

GL Account	Amount ⁹	GL Account	Amount
51040 District Management	\$3,028,974	52500 Sanitary Sewer Facilities	\$5,285
51045 Facilities Management	\$256,300	52700 Amenities	\$694,794
51060 Engineering & Other Prof. Services	\$1,680,264	52800 Miscellaneous Services	\$70,365
51100 Landscape Maintenance and Repairs	\$2,918,594	52900 Repairs and Replacement	\$2,030,939
51101 Landscape Operations Management	\$199,937	55060 Parks and Recreation	\$612,913
51120 Hardscape Maintenance	\$603,825	55070 Sewer & Storm Infrastructure	\$2,113,227
51160 Project Management	\$869,993	55080 Street Infrastructure	\$5,705,174
51170 Master Planning	\$173,300	55090 Transportation/Traffic	\$212,857
51300 Snow Removal and Sidewalk Sweeping	\$64,189	55102 Waterline Reimbursement	\$643,559
51510 Major Repairs & Replacement	\$2,149,017	55110 Water Infrastructure	\$614,148
51520 Viking Way ROW Maintenance Agreement	\$25,672	55121 Public Infrastructure Projects	\$-42,397
52100 Landscaping	\$3,456,267	55130 TV Relay Improvements	\$287,489

⁷ Spending related to Chapungu Park appeared to be ongoing maintenance and operations before and after 2015 and may not have been subject to public bid at any point.

⁸ The Boyd Lake Ave – Phase 1 project began prior to 2015 such that a portion of this spending since 2015 may have been subject to public bid.

⁹ The transaction amounts span fiscal years 2009 through 2023.

GL Account	Amount ⁹
52200 Hardscapes	\$1,114,396
52300 Undeveloped Public Land	\$136,056
52400 Storm Water Facilities	\$648,948

GL Account	Amount
55149 Easements	\$70,010
55156 Kinston Cost Share Expense	\$3,341,879
55202 Lakes Reimbursement	\$1,410,109

Recommendation

- LURA should solicit legal advice from counsel regarding the interpretation of “construction contracts” in Exhibit L, and whether all aspects of the defined term “Construction”, fall within the requirements of this exhibit. LURA should consider this advice and whether it aligns with LURA’s expectation for the types of services subject to the public bid process and if any amendments to the MFA should be considered.
- If it is determined that all aspects of the defined term “Construction” should have been subject to Exhibit L, then LURA should consider expanded testing on project spend prior to 2015 and non-project spend to date.
- LURA should consider additional forensic procedures regarding procurements conducted by CPW, which is also required to follow the procurement procedures in Exhibit L, to determine whether similar issues exist for construction projects funded by the PIC. It appears \$34.5 million was paid to CPW between 2008 and 2023 based on the check registers provided.

4.4 Procurement observation 3: Recording of bids not followed

Exhibit L requires that all bids received be recorded on a bid abstract sheet. This bid abstract provides a verifiable audit trail that all bids were received from prequalified contractors prior to the deadline and that the lowest responsible bidder is selected. Graphic 7 shows the applicable section of Exhibit L listing requirements to document the receipt of bids.

Graphic 7 – Requirements regarding the recording of bids

<p>1.10 <u>Recording of Bids</u></p> <p>When a bid is received by Service District /Constructor, the person receiving the bid shall stamp the date received on the sealed envelope, write the time received, and initial it. That person shall then enter the contractors’ names, in the order received, on a bid abstract sheet for the Local Improvements indicated on the envelope. If the bid has been delivered in person and there is no project indicated on the envelope, the persons receiving the bid shall require the person submitting the bid to write the project number on the envelope. If the bid has been received in the mail and there is no project indicated on the envelope, an attempt shall be made to contact the contractor submitting the bid in order to determine what project the bid is for. If the contractor is contacted, the project number shall be written on the envelope. If this cannot be done, an authorized agent of the Service District / Constructor shall open the sealed envelope in the presence of at least one witness, determine the project from the bid in the envelope without looking at the schedule of bid prices, reseal the envelope and write the project number on the envelope.</p>
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The Metro District did not provide documentation to reflect when bids were received from bidders.

Documenting the receipt of bids, specifically indicating receipt of the bid prior to the bid deadline, is a safeguard to demonstrate accountability and to mitigate risks of perceived or actual favoritism, bid rigging, corruption or misuse of public funds.

Detailed observations

Section 1.10 of Exhibit L describes the process by which the Metro District is required to document the receipt and recording of bids. Specifically, each sealed envelope containing a bid is to be stamped with the date and time of receipt, and the recipient's initials. In addition, the Metro District must prepare a bid abstract sheet listing all contractors' names in the order in which bids were received.

The documentation provided by the Metro District did not include the stamped envelopes nor the bid abstract sheets listing the contractors that submitted bids prior to the deadline.

In discussing the process with Pinnacle, Pinnacle stated that prior to 2020 (i.e., prior to the COVID-19 pandemic), bids were typically received in person on the due date, and the bids were opened immediately thereafter. Since 2020, the public opening can be in-person or virtual or a hybrid.

The Pinnacle team stated they are not familiar with the bid abstract sheet that is required by Exhibit L.

Recommendations

- LURA should instruct the Metro District to implement the requirement of Exhibit L to maintain a bid abstract sheet, or otherwise memorialize, the date, time, and manner in which bid submissions are received to evidence that all bids are appropriately received prior to the bid period deadline.

4.5 Procurement observation 4: Procurement testing exceptions

In our assessment of the procurement documentation related to the nine awards in our sample, we identified documentation inconsistent with requirements of Exhibit L or the Metro District's current procurement practices:

1. Change order adding new project scope, greater than \$60k, without public bid (\$82,630)
2. Contract awarded to potentially non-conforming bid, due to maximum subcontractor involvement exceeding the stated maximum (\$1,693,745)

Both examples represent potential challenges to fair and transparent competition, the selection of the best price from a qualified vendor and effective use of taxpayer funds.

Detailed observations

Change order adding new project scope, greater than \$60k, without public bid

During the bid analysis of the Centerra Parcel 206 Sanitary Sewer Main project and associated GL transactions, EY noted that Premier Earthworks & Infrastructure, Inc. (Premier) was awarded a contract for this project, dated January 15, 2016, but did not have any expenses associated with the project in the GL. We also noted that despite having submitted a higher bid, Connell Resources, Inc. (Connell) appeared to be the only construction vendor with expenses associated with that project within the GL. During in-person discussions with Pinnacle, EY requested that Pinnacle provide additional information on why Premier appeared to have no expenses associated with the Centerra Parcel 206 Sanitary Sewer Main while Connell did.

EY examined the supporting documentation provided and confirmed that Connell's contract resulted from a public bid for the Parcel 206 Public Infrastructure project and was contracted on March 17, 2016. The bid and resulting contract did not include storm sewer improvements in its scope. EY noted that the third change order to this contract, dated April 6, 2016, was for \$82,630 to "provide services to install the storm sewer as provided in the plan sheets provided by Interwest for the 24"x38" HERCP, demolition and asphalt patching for the CP 206 project."

Premier was selected through a public bid process for the project Parcel 206 Sanitary Sewer Main and contracted on May 19, 2016. Its scope work included minor earthwork, erosion control, sanitary sewer,

water, storm water utilities, concrete, asphalt paving, and signage. Their storm water utility scope of work included detention pond structures, inlets and manholes, storm pipe, and box culverts.

Pinnacle stated that the work in Connell's third change order was separate from the work that was going to be performed by Premier after April 6, 2016. No explanation was provided as to why this work was coded to the Parcel 206 Sanitary Sewer project in the GL.

Contract awarded to potentially non-conforming bid, due to maximum subcontractor involvement exceeding the stated maximum

In the bid packages provided to bidders, the Metro District stated a policy—not a requirement of the Exhibit L—that “under no circumstances shall the Contractor award subcontracts in excess of sixty percent (60%) of the total Contract Amount.” Rather, “the Bidder must perform a minimum of 40% of the work quoted herein unless otherwise stipulated in the Special Provisions.”

Pinnacle explained that subcontractor amounts are taken into consideration during the bid evaluation process, specifically that bidders list subcontractors in the bid submittal, and Pinnacle reviews them. Typically, Pinnacle does not negotiate with the bidders on whom the Contractors use as subcontractors, unless the respective subcontractor is “blackballed”. Pinnacle further explained they review the subcontractors but do not dictate the means or methods bidders use to perform their work.

During the bid analysis of the Centerra Parcel 206 Interim Surface Parking project and associated GL transactions, we noted that Hall-Irwin Corporation, having been the lowest bidder, was awarded a \$1,693,745 contract for this project.

We noted that the percentages listed in Hall-Irwin Corporation's “Proposed Subcontractors and Suppliers” sheet reflect that subcontractors and suppliers encompassed 98% of the total price of the bid. EY did not observe any exception approval stipulated in the Special Provisions of the executed contract resulting from this bid.

EY reviewed the other bid submitted for this project, which was received from DCP Civil LLC, noting that the proposed subcontractor percentage totaled 73.2%.

Recommendations

- LURA should consider causing the remaining 37 contracts to be assessed for potential instances of non-compliance with Exhibit L and other areas of process improvement.
- LURA should consider expanding the existing sample to include contracts prior to 2015 to determine whether the \$18.4 million spent from 2009 to 2014 includes potential instances of non-compliance or other areas of process improvement.
- LURA should consider requesting the Metro District formalize processes to evaluate if change orders representing potential scope changes should be subject to the Competitive Bidding requirement included in Exhibit L.
- LURA should consider requesting the Metro District formalize processes to contemporaneously document known exceptions to Exhibit L and its current procurement practices.

5. Disbursement transaction testing

EY based its examination of disbursements on various bookkeeping and recordkeeping requirements set forth in the MFA, Colorado statute and generally accepted practices. EY performed analysis on vendor spend across both project and non-project GL accounts, totaling \$128 million, as well as other cash outflows. EY judgmentally selected a sample of 73 disbursement transactions totaling \$29.6 million.

Sample documentation

EY requested the following documentation for each sample transaction:

1. Executed contract or purchase order
2. Copies of statements, invoices, or other supporting documentation for the payments
3. Copies of each check or other evidence of payment
4. Approval documentation for the disbursement
5. An itemized statement of costs and expenses for which the Constructor seeks reimbursement, if applicable
6. A certification signed by the Constructor's president or principal, if applicable
7. Written consent and agreement to comply with the terms and provisions of Section 8 of the MFA, if applicable

EY's disbursements testing incorporated the following:

1. Examining contracts, invoices and payments for consistency and appropriate use of funds.
2. Analysis of invoices for evidence of invoice and payment approval.
3. Matching supporting documents with the information in the GL.

Check disbursement testing

In addition to the above disbursement samples, EY selected a sample of 230 check numbers based on listings derived from the GL and vouched the check details with supporting bank statements. EY's sample selection was based, in part, on observations during our initial analysis that flagged duplicates and sequence breaks in check numbers. In each case, EY was able to trace the check to the appropriate bank statement or obtain information from Pinnacle that the check number was a misprint or voided check.

Metro District discussions

EY engaged in discussions with Pinnacle and Pogue on October 1 and October 2, 2025, to better understand the documentation provided, discuss EY's preliminary observations and to clarify EY's understanding of the Metro District's vendor relationships and disbursement processes. We incorporated information from these discussions in the evaluation of our observations.

5.1 Disbursement observation 1: Bookkeeping exceptions

EY identified exceptions to the Metro District's controls surrounding the completeness, accuracy and timeliness of its books and records, which may impact informed decision making, operational efficiency, risk management and credibility:

- We observed instances where the district manager did not document approval and/or provide general account coding when approving an invoice.
- We observed instances where the coding specified by the district manager was not adhered to when recording the disbursement in the GL.
- We observed instances where disbursements were allocated to incorrect GL accounts. This led to inaccuracies in previously documented project overages and resulted in payments to vendors being misassigned to projects or to GL accounts corresponding to different types of services than those provided.

- We observed instances where the transaction date in the GL did not match supporting documents.
- Per discussions with Pinnacle, we noted that the Metro District does not perform a month-end financial close process. As a result, the date of expense recognition in the GL may not correspond with the actual date or period of the expense.

Detailed observations

GL coding mismatches

GL account coding forms the basis of the financial statements and allows actual spending to be tracked against approved budgets.

We identified ten GL transactions with either missing or mismatched account coding. See Table 7.

Table 7 – List of GL coding exceptions noted

Sample No.	Date	GL Vendor Name	Amount	Account per GL	Account per supporting documents	Category
2	9/1/2014	Centerra Properties West, LLC	\$175	51120 - Hardscape Maintenance	52800 - Miscellaneous Services	Incorrect coding
3	10/1/2014	Centerra Properties West, LLC	\$175	51120 - Hardscape Maintenance	52800 - Miscellaneous Services	Incorrect coding
8	3/31/2017	High Plains Environmental Center	\$3,126	52400 - Storm Water Facilities	52100 - Landscaping	Incorrect coding
14	11/30/2018	McWhinney Real Estate Services, Inc	\$10,515	52800 - Miscellaneous Services	51410 - Chapungu Park	Incorrect coding
22	8/31/2019	High Plains Environmental Center	\$18,000	52700 - Amenities	None	Missing coding
32	3/31/2019	Centerra Properties West, LLC	\$31,162	55145 - Kendall Parkway Underpass/Bus Station Enhancements	51060 - Engineering & Other Prof. Services	Mismatched coding
37	1/31/2010	Wilson & Company	\$45,666	55080 - Street Infrastructure	55030 - I-25 & Hwy 34 Interchange Improvements	Mismatched coding
48	1/31/2016	RNL/Interplan Inc.	\$144,504	55117 - Parcel 206 - Garage	55108 - Parcel 206 - Infrastructure Phase 1	Mismatched coding
53	11/30/2016	Premier Earthworks & Infrastructure	\$189,936	55105 - Savanna 2nd Subdivision	55105 - Savanna 2nd Subdivision	Mismatched coding
63	2/6/2019	Xcel Energy	\$867,000	55143 - 37th Street Gas Line Relocation	None	Missing coding

Examples illustrating the above observations include the following:

- Missing coding: We noted instances where the stamp and initials evidencing approval by the district manager or project manager is missing. For example, sample 22, the invoice from High Plains Environmental Center covered various services, including maintenance for Chapungu

Sculpture Park and grass beds along Centerra Parkway. There is no documented evidence of approval or account coding by the district manager prior to processing. The expense was posted to the GL under 52700 – Amenities.¹⁰

- Mismatched coding: We observed instances where the coding specified by the district manager was not adhered to when the disbursement was recorded in the GL. For example, sample 37, the expense was recorded to a different GL account than the one specified by the district manager. The invoice from Wilson & Company was for construction management services related to the I-25/US 34 project. The district manager approved the invoice and indicated that the expense should be recorded under GL account 55300 - I-25 & Hwy 34 Interchange Improvements. However, the expense was posted to 55080 – Street Infrastructure.¹¹
- Incorrect coding: We observed instances where disbursements were allocated to incorrect GL accounts. For example, sample 14, an expense recorded to the incorrect GL account. The invoice from McWhinney Real Estate Services, Inc. (MRES) was for “Centerra O&M: Public Park Marketing Services – January through August 2018.” The district manager approved the invoice and specified GL account 52800 for recording, and the expense was posted to the GL accordingly. However, based on discussions with Pinnacle, this was a recurring expense that should have been allocated to either 51410 – Chapungu Park or 52700 – Amenities GL accounts.¹²

Transaction date mismatch between the GL and supporting documents

For seven disbursement samples, we identified discrepancies between the date reflected in the GL and the supporting documents as shown in Table 8.

Table 8 - List of date exceptions noted

Sample No.	GL Vendor Name	GL Amount	Date per GL	Date per Invoice	Date of services provided
14	McWhinney Real Estate Services, Inc	\$10,515	11/30/2018	8/21/2018	1/1/2018 – 8/31/2018
23	McWhinney Real Estate Services, Inc	\$18,628	11/30/2017	10/6/2017	6/13/2017 – 10/3/2017
31	Civitas, Inc.	\$30,583	12/31/2019	10/31/2019	10/31/2019
32	Centerra Properties West, LLC	\$31,162	3/31/2019	11/30/2018, 12/31/2018, 1/31/2019	11/30/2018 – 1/31/2019
35	The Brickman Group LTD. LLC	\$37,750	10/31/2014	9/23/2014	9/23/2014
37	Wilson & Company	\$45,666	12/31/2009	12/11/2009	11/27/2009
41	Merrick & Company	\$79,698	7/31/2018	6/28/2018	5/25/2018

- Document discrepancy: We observed instances where the transaction date in the GL did not match supporting documents. For instance, in sample 31, the invoice from Civitas, Inc. for design services exhibited a discrepancy in between the service provision date and the corresponding transaction date recorded in the GL. Although the professional services were completed and invoiced on October 31, 2019, the expense was recorded in the GL with an effective date and document date of December 31, 2019. Given that the services were fully rendered by October

¹⁰ See Appendix C – Missing coding

¹¹ See Appendix C – Mismatched coding

¹² See Appendix C – Incorrect coding

31, the expense should have been recognized as of that date to ensure accurate financial reporting.¹³

Based on discussions with Pinnacle, the Metro District does not conduct a formal month-end financial close process. Instead, invoices are expensed and recorded in the GL based on the period in which Pinnacle receives them and adds them in the GL, rather than the period in which the underlying expense was incurred. We noted indications in the GL for 2009 of the use of expense accruals for ongoing service and construction contracts, which is customary in accrual-based accounting. However, this practice was not continued throughout the remainder of the years for which GL detail was received, from 2010 through 2023. In these years, there were no expense accruals for ongoing service or construction contracts, although there were other types of accruals and adjustments, such as bond payment accruals and director fee accruals.

Recommendations

- LURA should consider performing periodic reviews of the GL on a go forward basis to review for potential errors in the books and records of the Metro District which may result in inaccurate coding, expenses being recognized in the incorrect period, expense approvals not occurring or being properly documented or other exceptions.
- LURA should consider coordinating with Pinnacle to determine the root cause of these errors and establish how procedures can be put in place to prevent similar errors going forward, including providing updates on how errors may have impacted prior reporting to LURA.
- Along with the Metro District board, the LURA board should consider whether a month-end close process would be beneficial. Month-end close processes are intended to ensure that all financial transactions for the period are accurately recorded and reported. It supports the timely recognition of expenses, liabilities, and revenues in alignment with the accrual basis of accounting. This process enhances the reliability and consistency of financial statements, enabling informed decision-making and compliance with regulatory and internal reporting requirements. Additionally, it reinforces internal controls and risk management practices by providing a structured framework for reviewing and validating financial data each month.¹⁴
- LURA should consider recommending that the Metro District report unaudited financials on a quarterly basis to LURA, if this is not already a requirement. Quarterly reporting provides timely, consistent, and transparent financial information. It ensures that organizations apply the same accounting principles used in annual reporting, including accurate accruals, estimates, and disclosures. This process supports informed decision-making, enhances accountability, and allows for early identification of financial trends or issues. Strong internal controls and a disciplined close process are critical to maintaining the reliability and comparability of quarterly reports.¹⁵

¹³ See Appendix D

¹⁴ ASC 720 outlines that expenses should be recognized in the period they are incurred, aligning with the accrual basis of accounting. IAS 1 and IAS 10 reinforce the need for timely and accurate period-end processes, emphasizing proper classification and disclosure of expenses. Federal standards like SFFAS 5 and 7, along with GASB guidance, support monthly closing cycles to ensure timely recognition of liabilities and revenues. COSO and the IIA further emphasize the importance of internal controls, risk-based approaches, and monitoring to ensure the effectiveness and accuracy of the monthly close process.

¹⁵ ASC 270 provides the framework for interim financial reporting, requiring that quarterly reports follow the same accounting principles as annual statements and include consistent accruals, estimates, and disclosures. IAS 34 mandates that interim financials apply the same recognition and measurement principles as annual reports, reinforcing the need for timely and accurate monthly closes. The AICPA supports quarterly reporting through its Audit and Accounting Guides and Assurance Reporting Manual, offering templates and illustrative reports for federal entities. GASB encourages timely interim reporting for transparency and decision-making, as reflected in standards like GASB 34 and 95. COSO and the IIA emphasize strong internal controls and timely financial disclosures, with COSO's framework supporting quarterly reporting through principles aligned with Sarbanes-Oxley compliance.

6. Related party testing

EY included 16 disbursement transactions with related parties among the 73 disbursement sample selections. Transactions with related parties are at risk of not being entered into on an “arms-length” basis, presenting risk that the terms (price, interest rates, etc.) with the related party may not be fair, transparent, or in the best interest of the Metro District, LURA and the taxpayers.

We requested the Metro District’s policies and procedures regarding related party transactions and conflicts of interest. The policy provided by Pogue makes reference to the following Colorado state statutes:

- C.R.S. Title 24, Article 72, which states governmental entities must comply with public transparency requirements. This includes maintaining records that document official decisions, such as those involving contracts, financial transactions, and any relationships that may present a conflict of interest. These records must also include disclosures by public officials or employees regarding any personal or financial interest in matters before the entity.
- C.R.S. § 32-1-1001, which delineates the authority of special district boards, including provisions that restrict contractual relationships between the Metro District and its board members unless formal bidding procedures are properly executed. Additionally, C.R.S. § 32-1-1101.5 establishes compliance requirements related to financial reporting and due diligence.

Evaluation of related party contracts and disbursements was incorporated into our disbursements transaction sample testing.

6.1 Related party observation 1: McWhinney related parties

The Metro District entered into transactions (i.e., service contracts and financial loans) with related parties, including MRES, CPW, and Centerra Retail Sales Fee Corporation, among others.

During our analysis, we observed:

- Metro District board members submitted conflict of interest disclosures to the Colorado Secretary of State prior to board meetings and disclosed their employment with MRES and financial investments in developments located within the Metro District, and we understand no board member recused themselves from related voting matters since the MFA’s inception.
- We understand that the Metro District does not prepare and maintain a formal evaluation of the arms-length nature of transactions and contracts with related parties to document the terms are comparable or better than the terms with an unrelated vendor and are therefore in the best interest of the Metro District, LURA, and the taxpayers.

Detailed observations

Transactions with McWhinney Real Estate Services, Inc.

Payments to MRES totaled \$4.9 million between 2009 and 2023 for services including project management, park management, landscaping, event programming, maintenance, marketing, engineering and surveying.

Metro District board members submitted conflict of interest disclosures to the Colorado Secretary of State prior to board meetings. As part of the disclosures, board members listed their employment with MRES and financial investments in developments located within the Metro District.

Despite these disclosures, there were no documented instances of board member recusals from related voting matters in the documentation received, and Pogue did not recall any such instance. Board minutes indicate that the presence of specific board members was required to achieve quorum, which may have influenced their continued participation in votes involving disclosed interests. Graphic 8 shows an example extract of the board minutes that were examined.

Graphic 8 – Board minutes extract

<u>CENTERRA METROPOLITAN DISTRICT S NOS. 1-5</u>		
<u>NOTICE AND AGENDA OF COORDINATED REGULAR MEETING</u>		
<u>Board of Directors</u>	<u>Office</u>	<u>Term Expiration</u>
Kim Perry	President	May 2018
Tom Hall	Secretary	May 2020
Josh Kane	Treasurer & Assistant Secretary	May 2018
David Crowder	Assistant Secretary & Assistant Treasurer	May 2018
VACANT		May 2020
DATE:	January 19, 2017 (Thursday)	
TIME:	12:00 P.M.	
PLACE:	2725 Rocky Mountain Ave. Loveland, Colorado 80538	

<u>CONFLICT OF INTEREST DISCLOSURE</u>	Alan Pogue, legal counsel, stated that notices of potential conflicts of interest for all Board Members were filed with the Colorado Secretary of State's Office, disclosing potential conflicts as all Board Members are employees of McWhinney Real Estate Services, Inc., which is associated with the primary landowners and developer within the Districts. Mr. Pogue advised the Boards that pursuant to Colorado law, certain disclosures by the Board Members might be required prior to taking official action at a meeting. The Boards reviewed the agenda for the meeting, following which each Board Member present confirmed the contents of the written disclosures previously made stating the fact and summary nature of any matters as required under Colorado law to permit official action to be taken at the meeting. Additionally, the Boards determined that the participation of the members present was necessary to obtain a quorum or otherwise enable the Boards to act.
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The following statement was included in all Record of Proceedings documents examined:

The Boards reviewed the agenda for the meeting, following which each Board Member present confirmed that the contents of the written disclosures previously made stating the fact and summary nature of any matters as required under Colorado law to permit official action to be taken at the meeting. Additionally, the Boards determined that the participation of the members present was necessary to obtain a quorum or otherwise enable the Boards to act. (emphasis added)

Water rights contracts

Between 2009 and 2023, the Metro District purchased water rights for irrigation to support landscaping at developments throughout the Metro District as shown in Table 9 below.

Table 9 – Water rights contracts identified

Vendor Name	Date	Amount	Related project
Centerra Properties West, LLC	10/31/2014	\$24,700	Boyd Lake Ave - Phase 1
CR Development, Inc.	10/31/2014	\$24,700	Boyd Lake Ave - Phase 1
CR Development, Inc.	10/31/2014	\$24,700	Boyd Lake Ave - Phase 1
CR Development, Inc.	10/31/2014	\$24,700	Boyd Lake Ave - Phase 1
Iron Horse Development	10/31/2014	\$24,700	Boyd Lake Ave - Phase 1
McWhinney Holding Company, LLLP	10/31/2014	\$24,700	Boyd Lake Ave - Phase 1
MWater Development, LLC	12/15/2023	\$52,480	Centerra Parcel 504 Phase II

The water rights listed in Table 9 were transferred to the Metro District from various entities related to CPW and MRES.¹⁶ At the time of these purchases, the Metro District did not document an analysis of the prevailing market prices. At least seven additional water rights contracts were signed by the Metro District prior to 2009 with McWhinney Holding Company, LLLP, McWhinney Property Group, LLC, McWhinney Real Estate Services, Inc. and VDW Properties, LLC.

Per discussion with Pogue, the price paid by the Metro District for these water rights was below the then current market value. The Metro District did not maintain an evaluation of the then current market value to evidence the consideration of the related party transaction. EY did not assess whether the contracts entered into by the Metro District were above or below market value.

Recommendations

- LURA should consider requesting that the Metro District formalize processes to evaluate and report to LURA on transactions and contracts with related parties¹⁷. Such formalized processes may include the following:
 - An evaluation and determination of the “arms-length” nature of transactions with related parties
 - Documentation that such transactions are in the best interest of the Metro District, LURA and the taxpayers
 - That the evaluations be provided to the Metro District board when approving transactions with related parties
 - That such evaluations be documented and maintained by the Metro District and available for LURA’s review upon request
 - That the Metro District provide periodic reports to LURA including details of transactions with related parties

¹⁶ See Appendix E – Water rights contracts extracts

¹⁷ ASC 850 – Related Party Disclosures is the primary section of the Accounting Standards Codification that governs related party transactions. It mandates disclosure of the nature of relationships, description of transactions and amounts due to/from related parties, identification of control relationships, even if no transactions occurred. IAS 24 – Related Party Disclosures is an International Accounting Standard issued by the International Accounting Standards Board (IASB). Its primary objective is to ensure that financial statements contain the necessary disclosures to highlight the potential impact of related party relationships and transactions on an entity’s financial position and performance.

Appendix A: Procurement samples

The Metro District procurement samples are outlined below.

No.	Project Name	Date of Bid	Bidder Name	Bid Amount	Contract Start Date	Final Completion Date
1	Parcel 206 Infrastructure	5/10/2016	Premier Earthworks & Infrastructure	\$1,612,323.20	6/6/2016	8/13/2019
			DCP Civil	\$1,820,424.00		
			HEI Civil Construction	\$2,029,693.75		
2	Parcel 206 Interim Surface Parking	8/12/2016	Hall-Irwin	\$1,693,745.00	9/6/2016	10/21/2019
			DCP Civil	\$1,902,440.25		
3	Parcel 206 Sanitary Sewer	1/4/2016	Premier Earthworks & Infrastructure	\$293,385.77	1/25/2016	3/19/2018
			Nelson Pipeline	\$326,237.60		
			Gerrard Excavating	\$349,321.49		
			Connell Resources	\$404,569.00		
			DCP Civil	\$336,470.10		
4	Parcel 504 Public Landscaping	11/7/2018	Energes Services	\$754,223.00	4/16/2019	6/16/2021
			METCO	\$792,220.00		
			Environmental Designs	\$872,623.24		
			Alpine Gardens	\$885,191.48		
			Environmental Landworks	\$901,457.39		
			Brightview Landscape	\$995,710.86		
5	Parcel 504 Onsite & Offsite Public Infrastructure	8/3/2018	Connell Resources	\$2,882,863.00	9/20/2018	7/20/2021
			Gerrard Excavating	\$3,107,681.85		
			Hall-Irwin	\$3,163,365.20		
6	Parcel 505 Lift Station	6/1/2017	Integrated Water Services, Inc	\$1,721,327.75	8/7/2017	5/4/2021
7	Parcel 505 Public Infrastructure	6/1/2017	Connell Resources	\$396,682.00	7/7/2017	9/20/2020
8	Boyd Lake Kendall Parkway Landscaping	5/14/2021	Waterwise Land and Waterscapes	\$859,540.53	9/6/2021	10/31/2023
			Landtech Contractors	\$896,161.60		
9	Savanna 2 nd Subdivision	7/19/2016	Duran Excavating	\$1,728,227.80	8/8/2017	5/15/2020
			Premier Earthworks & Infrastructure	\$1,737,913.43		

Appendix B: Disbursement samples

The Metro District disbursement samples are outlined below.

No.	Account Code	Account Title	Document Number	Transaction Description	Session ID	Effective Date	Document Date	Amount	Vendor Name
1	55151	Centerra Parcel 504 Phase II	22045	Reverse EEC invoice	API1053	7/31/2022	7/31/2022	(\$227,080.72)	Earth Engineering Consultants, LLC
2	51120	Hardscape Maintenance	13401	Hardscape Maintenance	API158	9/1/2014	9/1/2014	\$175.00	Centerra Properties West, LLC
3	51120	Hardscape Maintenance	15585	Storage	API160	10/1/2014	10/1/2014	\$175.00	Centerra Properties West, LLC
4	51120	Hardscape Maintenance	4325	Detention Ponds Structure Maintenance	API302	9/30/2016	9/30/2016	\$1,480.00	SWPPP Colorado, LLC
5	51100	Landscape Maintenance and Repairs	1420	Detention Pond & Native Areas	API188	2/28/2015	2/28/2015	\$1,523.25	High Plains Environmental Center
6	51100	Landscape Maintenance and Repairs	1513	Chapungu Turf & Irrigation	API276	1/31/2016	1/31/2016	\$2,072.50	High Plains Environmental Center
7	51410	Chapungu Park	1523	Chapungu Turf & Irrigation Maintenance	API251	3/31/2016	3/31/2016	\$2,072.50	High Plains Environmental Center
8	52400	Storm Water Facilities	1636	Detention Pond Maintenance	API343	3/31/2017	3/31/2017	\$3,125.92	High Plains Environmental Center
9	51410	Chapungu Park	17353	Chapungu	API058	12/31/2010	12/31/2010	\$3,150.00	Centerra Properties West, LLC
10	52200	Hardscapes	84176	Regulatory and Wayfinding Signage O&M	APIIMPORT3	12/31/2017	12/31/2017	\$4,100.00	Centerra Commercial Owners Association
11	55150	Centerra Parcel 301	181701	Centerra Parcel 301 - Project Management	APIIMPORT49	5/31/2020	5/31/2020	\$4,643.60	McWhinney Real Estate Services, Inc
12	55103	Parcel 504	6	Parcel 504- Project-Direct	API0981	1/31/2020	1/31/2020	\$5,128.50	Metco Landscape, Inc.
13	51410	Chapungu Park	1104	Landscape Maint.	API019REV001	7/31/2010	7/31/2010	\$6,763.90	High Plains Environmental Center

No.	Account Code	Account Title	Document Number	Transaction Description	Session ID	Effective Date	Document Date	Amount	Vendor Name
14	52800	Miscellaneous Services	107061	Utility Locate Notification	API500	11/30/2018	11/30/2018	\$10,515.42	McWhinney Real Estate Services, Inc
15	55104	Parcel 505	WTW 0614	Parcel 505 - Project Management	API155	6/30/2014	6/30/2014	\$10,744.96	Wm. T. Welch Company, LLC
16	51410	Chapungu Park	339	High Plains Environmental Center 1045 HPEC	YTD Balances	3/31/2009	3/31/2009	\$11,514.00	High Plains Environmental Center
17	51101	Landscape Operations Management	15445	Project and Property Management	API014	3/31/2010	3/31/2010	\$12,891.00	McWhinney Real Estate Services, Inc
18	55140	Northwest Arterial Roadways Phase 2	115088	Northwest Arterial Roadways 2 - Project Management	API494	10/31/2018	10/31/2018	\$14,992.84	McWhinney Real Estate Services, Inc
19	55103	Parcel 504	1006	Parcel 504 - Project Management	API497	11/30/2018	11/30/2018	\$15,471.30	Bryan Construction, Inc.
20	55108	Parcel 206 - Infrastructure Phase 1	25208	Parcel 206 - Engineering & Surveying	API233	12/31/2015	12/31/2015	\$15,974.90	Interwest Consulting Group
21	55103	Parcel 504	1009	Parcel 504 - Project Management	API507	1/31/2019	1/31/2019	\$16,597.48	Bryan Construction, Inc.
22	52700	Amenities	1970	Chapungu	APIIMPORT37	8/31/2019	8/31/2019	\$18,000.00	High Plains Environmental Center
23	52700	Amenities	82714	Amenities	APIIMPORT1	11/30/2017	11/30/2017	\$18,628.09	McWhinney Real Estate Services, Inc
24	51520	Viking Way ROW Maintenance Agreement	2022425	Viking Way ROW Maintenance Agreement	APIIMPORT107	4/30/2022	4/30/2022	\$20,000.00	Centerra Commercial Owners Association

No.	Account Code	Account Title	Document Number	Transaction Description	Session ID	Effective Date	Document Date	Amount	Vendor Name
25	55136	Centerra-East	60997	Centerra-East - Engineering & Surveying	APIIMPORT51	6/30/2020	6/30/2020	\$22,735.40	DTJ DESIGN, INC
26	55101	Boyd Lake Ave - Phase 1	102114	Permits, Fees & Other - BYDPH1	API169	10/31/2014	10/31/2014	\$24,700.00	CR Development, Inc.
27	55101	Boyd Lake Ave - Phase 1	102214	Permits, Fees & Other - BYDPH1	API169	10/31/2014	10/31/2014	\$24,700.00	CR Development, Inc.
28	55101	Boyd Lake Ave - Phase 1	102314	Permits, Fees & Other - BYDPH1	API169	10/31/2014	10/31/2014	\$24,700.00	CR Development, Inc.
29	55101	Boyd Lake Ave - Phase 1	IHD 102014	Permits, Fees & Other - BYDPH1	API169	10/31/2014	10/31/2014	\$24,700.00	Iron Horse Development
30	55101	Boyd Lake Ave - Phase 1	MHC 102114	Permits, Fees & Other - BYDPH1	API169	10/31/2014	10/31/2014	\$24,700.00	McWhinney Holding Company, LLLP
31	55145	Kendall Parkway Underpass/Bus Station Enhancements	24455	Kendall Parkway Under./Bus Station Enhance - Engin. & Survey	APIS0960	12/31/2019	12/31/2019	\$30,582.50	Civitas, Inc.
32	55145	Kendall Parkway Underpass/Bus Station Enhancements	032019CPW	KP BRT - Engineering	API522	3/31/2019	3/31/2019	\$31,162.25	Centerra Properties West, LLC
33	55103	Parcel 504	161201.3	Parcel 504 - Engineering & Surveying	API330	2/28/2017	2/28/2017	\$32,523.84	Harris Kocher Smith
34	51160	Project Management	163	MCWHINNEY REAL ESTATE SERVICES 011105 District management	YTD Balances	1/31/2009	1/31/2009	\$36,090.00	McWhinney Real Estate Services, Inc
35	55107	Motorplex Infrastructure	4.48E+09	Motorplex Infrastructure	API166	10/31/2014	10/31/2014	\$37,750.00	The Brickman Group LTD. LLC
36	55127	Parcel 206 - Infrastructure Phase 2	1425	Engineering- 206	API427	4/30/2018	4/30/2018	\$42,853.89	Dorman Associates, Inc.
37	55080	Street Infrastructure	1138--Revised	I-25/34 Construction	API010	12/31/2009	1/31/2010	\$45,666.01	Wilson & Company

No.	Account Code	Account Title	Document Number	Transaction Description	Session ID	Effective Date	Document Date	Amount	Vendor Name
38	55151	Centerra Parcel 504 Phase II	2023-01	CNE-PCL504-PH2	APIIMPORT166	12/15/2023	12/15/2023	\$52,480.00	MWater Development, LLC
39	55131	Savanna 2nd Subdivision/Kendall Parkway Underpass	1969	Savanna 2nd Sub/Kendall Pkwy-Project - Direct	API0866	7/31/2019	7/31/2019	\$56,346.24	High Plains Environmental Center
40	55118	Parcel 206 - Surface Parking	8400	Parcel 206 Surface Parking - Project Direct	API351	6/30/2017	6/30/2017	\$67,079.55	Alpine Gardens
41	55128	Boyd Lake Avenue South	170183	Boyd Lake Avenue South - Engineering & Surveying	API469	7/31/2018	7/31/2018	\$79,698.00	Merrick & Company
42	55140	Northwest Arterial Roadways Phase 2	59639	Northwest Arterial Roadways 2 - Engineering & Surveying	API513	2/28/2019	2/28/2019	\$80,124.93	DTJ DESIGN, INC
43	51510	Major Repairs & Replacement	100206	Capital Repairs & Replacement - Project Direct	API347	5/31/2017	5/31/2017	\$82,107.69	Environmental Designs, Inc.
44	51510	Major Repairs & Replacement	1	2018 Capital Repairs & Replacements - Project Direct	API482	9/30/2018	9/30/2018	\$96,651.00	Fiske Electric
45	55101	Boyd Lake Ave - Phase 1	2013CV31431 HROD	Boyd Lake Ave - Phase 1 - Permits, Fees and Other (ROW)	API189	3/11/2015	3/11/2015	\$99,000.00	Trust Account of Hamre, Rodriguez, Ostrander & Dingess
46	55140	Northwest Arterial Roadways Phase 2	G702-9	Northwest Arterial Roadways Ph 2-Project - Direct	API0979	1/31/2020	1/31/2020	\$101,270.05	Coyote Ridge Construction

No.	Account Code	Account Title	Document Number	Transaction Description	Session ID	Effective Date	Document Date	Amount	Vendor Name
47	55128	Boyd Lake Avenue South	170828	Boyd Lake Avenue South - Engineering & Surveying	API469	7/31/2018	7/31/2018	\$106,324.50	Merrick & Company
48	55117	Parcel 206 - Garage	53440	Parcel 206 Garage - Engineering & Surveying	API346	1/31/2016	1/31/2016	\$144,503.50	RNL/Interplan Inc.
49	55118	Parcel 206 - Surface Parking	53440	Parcel 206 Surface Parking - Engineering & Surveying	API293	1/31/2016	1/31/2016	\$144,503.50	RNL/Interplan Inc.
50	55125	McWhinney Boulevard Roadway	2171092-02	McWhinney Blvd Roadway- Project Direct	APIIMPORT16	5/31/2018	5/31/2018	\$162,850.01	Connell Resources, Inc.
51	55104	Parcel 505	132724	Parcel 505 - Engineering & Surveying	API148	4/25/2014	4/25/2014	\$164,135.65	Merrick & Company
52	55114	Parcel 222 Savanna - BP2/Parcel 206 Sewer	Pay App 1 SAV BP2	Parcel 222 - Savanna BP2 - Project Direct	API245	2/29/2016	2/29/2016	\$165,950.69	Premier Earthworks & Infrastructure
53	55105	Savanna 2nd Subdivision	CEN-S2S 3	Savanna 2nd Subdivision - Project Direct	API316	11/30/2016	11/30/2016	\$189,935.50	Premier Earthworks & Infrastructure
54	55151	Centerra Parcel 504 Phase II	SINV-001300	CEN-PCL504-PH2	APIIMPORT152	6/15/2023	6/15/2023	\$197,368.88	Bath Garden Center & Nursery Inc.
55	55030	I-25 & Hwy 34 Interchange Improvements	Progress Payment #1	I-25/34 Construction	API009	12/31/2009	12/31/2009	\$215,272.98	New Design Construction
56	55103	Parcel 504	534930	Parcel 504- Project-Direct	API0902	10/31/2019	10/31/2019	\$309,099.52	Metco Landscape, Inc.
57	55104	Parcel 505	2	Parcel 505 - Project - Direct	API180	12/31/2014	12/31/2014	\$311,283.18	Connell Resources, Inc.


No.	Account Code	Account Title	Document Number	Transaction Description	Session ID	Effective Date	Document Date	Amount	Vendor Name
58	55128	Boyd Lake Avenue South	7	Boyd Lake Avenue South - Project - Direct	APIIMPORT49	5/31/2020	5/31/2020	\$315,259.84	J-2 Contracting Co., Inc.
59	55146	Savanna 5th Subdivision	5	Savanna 5th Subdivision - Project - Direct	APIIMPORT55	8/31/2020	8/31/2020	\$401,185.12	Roberts Excavation Corp.
60	55108	Parcel 206 - Infrastructure Phase 1	CEN-PCL206PI 4	Parcel 206 Infrastructure - Project Direct	API314	10/31/2016	10/31/2016	\$440,326.31	Premier Earthworks & Infrastructure
61	55104	Parcel 505	App# 5	Parcel 505 - Project Direct	API195	3/31/2015	3/31/2015	\$521,354.33	Connell Resources, Inc.
62	55103	Parcel 504	053119-9	Parcel 504- Project-Direct	APS0818	5/31/2019	5/31/2019	\$528,836.71	Connell Resources, Inc.
63	55143	37th Street Gas Line Relocation	02.2019 Gas Relocate	37th Street Gas Line Relocation - Project Direct	API502	2/6/2019	2/6/2019	\$867,000.00	Xcel Energy
64	55131	Savanna 2nd Subdivision/Kendall Parkway Underpass	7 - S2S/KP	Savanna 2nd Sub/Kendall Pkwy - Project Direct	API494	10/31/2018	10/31/2018	\$870,282.82	Connell Resources, Inc.
65	55101	Boyd Lake Ave - Phase 1	BLAWIRE090214	Lakes at Centerra MD - Boyd Lake Ave	CD0003	9/2/2014	9/2/2014	\$893,580.63	The Lakes at Centerra Metropolitan District
66	55140	Northwest Arterial Roadways Phase 2	G702-5	Northwest Arterial Roadways Phase 2 - Project Direct	API0880	9/30/2019	9/30/2019	\$1,102,150.95	Coyote Ridge Construction
67	51200	Repay Capital Advance	1	Payment to Developer	API084	10/28/2011	10/28/2011	\$1,201,282.42	Centerra Retail Sales Fee Corporation
68	55129	Kendall Pkwy/I-25 Underpass	12312017	Kendall Plwy/I-25 Underpass - Project Direct	APIIMPORT3	1/1/2018	1/1/2018	\$2,000,000.00	Colo Department of Transportation

No.	Account Code	Account Title	Document Number	Transaction Description	Session ID	Effective Date	Document Date	Amount	Vendor Name
69	55129	Kendall Pkwy/I-25 Underpass	12312018	Kendall Pkwy/I-25 Underpass - Project Direct	APIIMPORT28	12/31/2018	12/31/2018	\$2,000,000.00	Colo Department of Transportation
70	55129	Kendall Pkwy/I-25 Underpass	11800257176A	Kendall Pkwy-Project - Direct	APIIMPORT42	1/29/2020	1/29/2020	\$2,000,000.00	Colo Department of Transportation
71	51200	Repay Capital Advance	1	Developer Repayment	JV0204	1/13/2011	1/13/2011	\$2,297,804.37	
72	51200	Repay Capital Advance	1	PIF Release to developer - CPW	JV0043	12/21/2009	12/31/2009	\$2,610,581.32	Centerra Properties West, LLC
73	51200	Repay Capital Advance	1	Repay developer	JV0260	6/30/2011	6/30/2011	\$8,387,233.24	

Appendix C: Disbursement coding examples

Missing coding

Invoice



Invoice

Bill To
Centerra Metro District #1 c/o Pinnacle Consulting Group, Inc 550 W Eisenhower Blvd Loveland, CO 80537

Date	Invoice #
8/15/2019	1970

P.O. No.	Terms
	Net 30

Service Through	Description	Amount
	Chapungu Sculpture Park Grass Beds on Centerra Parkway - Divided little bluestem grass, replant, run drip, mulch (breeze) Commercial Applicators are licensed by the Colorado Department of Agriculture	18,000.00
Total		\$18,000.00

General ledger

Account Code	Account Title	Document Number	Transaction Description	Session ID	Effective Date	Document Date	Debit	Credit Name
23000	Accounts Payable	1970	Chapungu	APIMPORT37	8/31/2019	8/31/2019	18000	High Plains Environmental Center
52700	Amenities	1970	Chapungu	APIMPORT37	8/31/2019	8/31/2019	18000	High Plains Environmental Center

Mismatched coding

Invoice

WILSON & COMPANY
999 18th Street, Suite 2600
Denver, Colorado 80202
303-297-2976
303-297-2693 Fax

Albuquerque
Colorado Springs
Denver
Fort Worth
Houston
Kansas City
Lenexa
Omaha
Pasadena
Phoenix
Rio Rancho
Salina
San Bernardino
San Diego
Wilson & Company
Latin America, LLC

Invoice No.: 1138--Revised

ATTN: Frank Hempen (email pdf)
City of Loveland
Fire Administration Bldg.
410 E. 5th Street
Loveland, CO 80537

Date: 11-Dec-09
Our File: 09.100.31000
A/C#: 1300-00
Client #: C01779

Mail original invoice to Phil Weisbach
S.E.H.
4840 Pearl E. Circle, Ste 200W, Boulder, CO 80301-2486

PROFESSIONAL SERVICES: I-25/US 34 Construction Management
Project No.: CC 0341-066
SA: 15401

Payment Request No. 2
Services Through Nov 27, 2009

<u>CM Services</u>		<u>Design Services During Construction</u>	
Labor	\$ 34,956.51	Labor	\$ 1,975.23
Expenses	\$ 8,734.27	Expenses	\$ 1,975.23
	\$ 43,690.78		\$ 1,975.23
Total Contract Fee	\$ 1,016,350.00	Total Contract Fee	\$ 15,000.00
Prior Billings	\$ (33,229.07)	Prior Billings	\$ (1,568.57)
This Billing	\$ (43,690.78)	This Billing	\$ (1,975.23)
Fee Remaining	\$ 939,430.15	Fee Remaining	\$ 11,456.20

TOTAL AMOUNT DUE THIS INVOICE \$ 45,666.01

I hereby certify that these services were performed in compliance with all applicable requirements of Sections 6, 7, and 12 of the Fair Labor Standards Act, as amended, and of regulations and orders of the United States Department of Labor issued under Section 14 thereof and I do solemnly swear that the above account is just and correct, is due and remains unpaid.

FED ID#: 48-1176300
DUNS #: 00-744-8715

By Theodore S. Tjunker Jr

City of Loveland
Public Works Engineering
Approved for Payment

Signature 1/19/2010
Date


G/L Code	Amount
0-65030-0000	45,666.01
Dist. Mgr. Initials	C#

General ledger

Account Code	Account Title	Document Number	Transaction Description	Session ID	Effective Date	Document Date	Debit	Credit	Name
23000	Accounts Payable	1138--Revised	I-25/34 Construction	API010	12/31/2009	1/31/2010		45,666.01	Wilson & Company
55080	Street Infrastructure	1138--Revised	I-25/34 Construction	API010	12/31/2009	1/31/2010	45,666.01		Wilson & Company

Incorrect coding

Invoice

McWhinney Real Estate Services, Inc. (5000) c/o McWhinney Real Estate Services, Inc. 2725 Rocky Mountain Ave., Suite 200 Loveland, CO, 80538, USA	 McWHINNEY	INVOICE <table border="1"><tr><td>Invoice Date</td><td>08/21/2018</td></tr><tr><td>Term</td><td>Net 30</td></tr><tr><td>Invoice No.</td><td>107061</td></tr><tr><td>Tenant Id</td><td>t0002234</td></tr><tr><td>Unit No.</td><td>CMD</td></tr></table>	Invoice Date	08/21/2018	Term	Net 30	Invoice No.	107061	Tenant Id	t0002234	Unit No.	CMD
Invoice Date	08/21/2018											
Term	Net 30											
Invoice No.	107061											
Tenant Id	t0002234											
Unit No.	CMD											
 Centerra Metro District No. 1 c/o Pinnacle Consulting Group 550 W. Eisenhower Blvd. Loveland, CO 80537												
<table border="1"><thead><tr><th>Description</th><th>Amount</th></tr></thead><tbody><tr><td>Centerra O&M: Public Park Marketing Services - Jan - Aug 2018</td><td>10,515.42</td></tr></tbody></table>		Description	Amount	Centerra O&M: Public Park Marketing Services - Jan - Aug 2018	10,515.42							
Description	Amount											
Centerra O&M: Public Park Marketing Services - Jan - Aug 2018	10,515.42											
<table border="1"><tr><td>G/L Code</td><td>Amount</td></tr><tr><td>1-52800-0801</td><td>10,515.42</td></tr><tr><td>Mgr. Initials</td><td>DB</td></tr></table>		G/L Code	Amount	1-52800-0801	10,515.42	Mgr. Initials	DB					
G/L Code	Amount											
1-52800-0801	10,515.42											
Mgr. Initials	DB											
Invoice Total		\$ 10,515.42										
Note: Please contact Property Management, with any questions regarding this invoice.												

General ledger

Account Code	Account Title	Document Number	Transaction Description	Session ID	Effective Date	Document Date	Debit	Credit	Name
23000	Accounts Payable	107061	Utility Locate Notification	API499	12/11/2018	12/11/2018	10515.42		McWhinney Real Estate Services, Inc
23000	Accounts Payable	107061	Utility Locate Notification	API500	11/30/2018	11/30/2018		10515.42	McWhinney Real Estate Services, Inc
23000	Accounts Payable	107061	Utility Locate Notification	APIIMPORT27	12/11/2018	12/11/2018		10515.42	McWhinney Real Estate Services, Inc
52800	Miscellaneous Services	107061	Utility Locate Notification	API499	12/11/2018	12/11/2018		10515.42	McWhinney Real Estate Services, Inc
52800	Miscellaneous Services	107061	Utility Locate Notification	API500	11/30/2018	11/30/2018	10515.42		McWhinney Real Estate Services, Inc
52800	Miscellaneous Services	107061	Utility Locate Notification	APIIMPORT27	12/11/2018	12/11/2018		10515.42	McWhinney Real Estate Services, Inc

Appendix D: Document date discrepancies example

Invoice

CIVITAS
1200 Bannock Street
Denver, CO 80204
303-571-0053

Centerra Metropolitan District
550 W. Eisenhower Boulevard
Loveland, CO 80537

Invoice number 24455
Date 10/31/2019
Project 2-19-0050 Centerra Loveland Station

Professional services through 10/31/2019

Invoice Summary					
Description	Contract Amount	Remaining	Total Billed	Prior Billed	Current Billed
BASIC SERVICES					
DESIGN VALIDATION	10,000.00	0.00	10,000.00	3,400.00	6,600.00
SCHEMATIC DESIGN/ RENDERINGS	43,000.00	19,017.50	23,982.50	0.00	23,982.50
DESIGN DEVELOPMENT	52,000.00	52,000.00	0.00	0.00	0.00
CONSTRUCTION DOCUMENTS	60,000.00	60,000.00	0.00	0.00	0.00
BIDDING AND NEGOTIATION	2,000.00	2,000.00	0.00	0.00	0.00
CONSTRUCTION REVIEW	15,000.00	15,000.00	0.00	0.00	0.00
REIMB REIMBURSABLES	5,000.00	5,000.00	0.00	0.00	0.00
LIGHTING	12,000.00	12,000.00	0.00	0.00	0.00
IRRIGATION	19,000.00	19,000.00	0.00	0.00	0.00
Subtotal	218,000.00	184,017.50	33,982.50	3,400.00	30,582.50
Total	218,000.00	184,017.50	33,982.50	3,400.00	30,582.50

G/L Code Amount

3-55145-3025 \$ 30,582.50

Dist. Mgr. Initials *CM*

General ledger

Account Code	Account Title	Document Number	Transaction Description	Session ID	Effective Date	Document Date	Debit	Credit	Name
23000	Accounts Payable	24455	Kendall Parkway Underpass/Bus Station Enhance - Engin. & Survey	APIS0960	12/31/2019	12/31/2019	30582.5		Civitas, Inc.
55145	Kendall Parkway Underpass/Bus Station Enhancements	24455	Kendall Parkway Underpass/Bus Station Enhance - Engin. & Survey	APIS0960	12/31/2019	12/31/2019	30582.5		Civitas, Inc.

Appendix E: Related parties documents

Water rights contracts extracts

RESOLUTION OF THE BOARD OF DIRECTORS OF THE LAKES AT CENTERRA METROPOLITAN DISTRICT NO. 1

A RESOLUTION APPROVING A FIRST AMENDMENT TO WATER TAP TRANSFER AGREEMENT

WHEREAS, on July 2, 2014, The Lakes at Centerra Metropolitan District No. 1 (the "District", and McWhinney Holding Company, LLLP ("MHC"), Centerra Properties West, LLC ("CPW"), C R Development, Inc. ("CRD"), Iron Horse, LLC ("Iron Horse"), and McWhinney Property Group, LLC ("MPG"), collectively ("Tap Owners") entered into that certain Water Tap Transfer Agreement ("Agreement") for purposes of consolidating all understandings and responsibilities of the Parties related to the sale and transfer of seven (7) Taps from the Tap Owners to the District; and

EXHIBIT A

DESCRIPTION OF TAPS TO BE TRANSFERRED TO THE LAKES AT CENTERRA METROPOLITAN DISTRICT NO. 1

TAP OWNER	LOCATION OF TAP	LITTLE THOMPSON WATER DISTRICT TAP #	SIZE
McWhinney Holding Company, LLLP	Boyd Lake Ave, former Brent House 1853 Boyd Lake Ave	695	5/8"
Centerra Properties West, LLC	Former Thrifty Apartments 4503 E Eisenhower Blvd	807	5/8"
C R Development, Inc.	Former Frank Shop Building 2706 N Boyd Lake Ave	798	5/8"
Iron Horse, LLC	Bar Lazy S House 1142 N. CR 3	297	5/8"
C R Development, Inc.	4265 Larimer CR 24 Loveland	127	5/8"
McWhinney Holding Company, LLLP	4470 Weld County Road 44 Berthoud	4086	5/8"

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ED None

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Attachment 1

Centerra MFA Exhibit L

[see attached]

EXHIBIT "L"
to Centerra Master Financing
and Intergovernmental Agreement
Contract Procurement Processes

GENERAL PURPOSE: All construction contracts greater than \$25,000 or such higher amount as may be established in the Special Districts Act, for Local Improvements by the Service District/Constructor, shall be awarded by a Competitive Sealed Bidding Process (outlined in Sections 1.0 and 2.0 below).

Section 1.0 -- Construction of Local Improvements - Competitive Sealed Bidding Process

The purpose of this section is to set forth procedures for competitive sealed bidding and award of contracts for Local Improvements.

(1) An invitation for bids shall be issued and shall include a project description and all contractual terms and conditions applicable to the Local Improvements.

(2) Adequate public notice of the invitation for bids shall be given at least fourteen calendar days prior to the date set forth therein for the opening of bids, pursuant to rules. Such notice may include publication by electronic on-line access and in a newspaper of general circulation at least fourteen days prior to bid opening. The public notice of the invitation to bid shall at a minimum be placed in the Loveland Reporter Herald, Fort Collins Coloradoan, Greeley Tribune and the Longmont Daily Times.

(3) Bids shall be opened publicly in the presence of one or more witnesses at the time and place designated in the invitation for bids. The amount of each bid and such other relevant information as may be specified by rules, together with the name of each bidder, shall be entered on a record, and the record shall be open to public inspection. After the time of the award, all bids and bid documents shall be open to public inspection.

(5) Bids, from pre-qualified contractors, shall be unconditionally accepted, except as authorized by subsection (7) of this section. Bids shall be evaluated based on the requirements set forth in the invitation for bids, which may include criteria to determine acceptability, such as inspection, testing, quality, workmanship, delivery, and suitability for a particular purpose. Those criteria that will affect the bid price and be considered in the evaluation for award shall be objectively measurable, such as discounts, transportation costs, and total or life-cycle costs.

(6) Withdrawal of inadvertently erroneous bids before the award may be permitted pursuant to rules if the bidder submits proof of evidentiary value which clearly and convincingly demonstrates that an error was made. Except as otherwise provided by rules, all decisions to permit the withdrawal of bids based on such bid mistakes shall be supported by a written determination made by the Service District / Constructor.

(7) The contract shall be awarded with reasonable promptness by written notice to the low responsible bidder whose bid meets the requirements and criteria set forth in the invitation for bids. In the event that all bids for a construction project exceed available funds, the Service District / Constructor is authorized, in situations where time or economic considerations preclude resolicitation of work of a reduced scope, to negotiate an adjustment of the bid price with the low responsible bidder in order to bring the bid within the amount of available funds; except that the functional specifications integral to completion of the project may not be reduced in scope, taking into account the project plan, design, and specifications and quality of materials.

Contract Procurement Processes

Rules for Competitive Bidding for Local & Regional Improvements

1.1 Invitation for Bids

An invitation for bids shall be issued for each Local Improvements. Public notice of the invitation for bids shall be given at least fourteen calendar days prior to the date set for the opening of bids.

Public notice of the invitation for bids shall include publication in a newspaper of general circulation. Such notice shall include, as a minimum, the following information:

- (a) Project number.
- (b) Project description.
- (c) Project location.
- (d) Time, date and place of bid opening.
- (e) Time in which work must be completed.
- (f) Approximate quantities of principal items.
- (g) Time and place where plans and specifications may be procured.
- (h) Place where bids will be received.
- (i) Other information considered by the Service District / Constructor to be significant with respect to such public notice.

1.2 Revisions to Invitation for Bids

When a revision to the invitation for bids or to the plans or specifications is made after the date such invitation for bids and plans and specifications are made available to the public, such revision shall be forwarded to each planholder by notice, as defined in the rules, in sufficient time to be received at least one day prior to the date set for bid opening.

In the event there is not sufficient time to notify prospective bidders of such revision one of the following procedures shall be followed:

- (a) The invitation for bids shall be canceled and reissued at a later date; or
- (b) The date for opening of bids shall be deferred so that the revision may be made and notice of such revision given to prospective bidders as provided in this section.

1.3 Cancellation of Invitation for Bids

An invitation for bids may be canceled when it is in the best interests of the Service District / Constructor. In addition the date of opening of bids may be deferred when it is in the best interests of the Service District / Constructor. The reasons for any cancellation, deferment or rejection shall be made part of the contract file. When an invitation for bids is canceled or deferred, provided there is sufficient time, notice of such cancellation or deferment shall be published in a newspaper of general circulation at least seven calendar days prior to bid opening and a written notice of such cancellation or deferment shall be forwarded to each planholder, in sufficient time to be received at least one day prior to the original date set for bid opening. When there is not sufficient time available to provide the aforementioned published and written notices, an attempt shall be made to notify each prospective bidder by phone of the cancellation or deferment.

Contract Procurement Processes

However, in any case, the Service District / Constructor shall not be held liable if notice of cancellation or deferment is not received by any planholder prior to the original date set for bid opening.

1.4 - Bid Proposal

For each Local Improvements, Service District / Constructor shall prepare complete plans and specifications describing, in detail, the work to be done, and listing the estimated quantities of work to be used as the basis for competitive sealed bidding. Each prequalified contractor requesting a bid proposal shall be given a bid proposal, including a schedule of the estimated quantities of work to be done with space for insertion of unit prices and extensions. Service District / Constructor shall maintain a record of each plan holder together with its mailing address.

1.5 Preparation of Bid

The contractor shall submit its bid according to the provisions of the bid proposal. It shall specify a unit price in dollars and cents in figures for each pay item for which a quantity is given. It shall also show the mathematical products of the respective unit prices and the estimated quantities in the column provided for that purpose, together with the total amount of the bid obtained by adding such mathematical products. All the entries shall be in ink or typewritten. When the bid contains an alternative pay item, which has been authorized by Service District / Constructor, the choice of that item by the contractor shall be indicated in accordance with the specifications for that particular item. No further choices will be permitted.

The contractor shall also submit the affidavit relative to collusion and certification regarding debarment provided by Service District / Constructor within the bid proposal. The contractor's bid and affidavit relative to collusion must be signed in ink by an individual with legal authority to bind the contractor. Such an individual includes the owner of a sole proprietorship, one or more partner members of a partnership, one or more authorized members or officers of each firm representing a joint venture, the president or the vice-president of a corporation, or an authorized agent of the contractor. Anyone signing as agent for a contractor must file with Service District / Constructor written evidence of such authority.

1.6 Delivery of Bids

Each bid shall be submitted separately in a sealed envelope to Service District / Constructor by mail, personal delivery, or messenger service at the location indicated in the invitation for bids. The envelope shall be clearly labeled to identify it as a bid for the subject Local Improvements. The sealed bid shall be addressed to Service District / Constructor at the address and in care of the official in whose office the bids are to be received. All bids shall be filed at the place specified in the invitation for bids and prior to the time specified therein. Bids received after the time for opening of bids will be returned to the contractor unopened.

1.7 Withdrawal of Bids Prior to Bid Opening

Prior to bid opening, a contractor may withdraw or revise a bid after it has been deposited with Service District / Constructor. Withdrawal of bids may be made either in writing or in person; however, any bid withdrawn for the purpose of revision must be redeposited before the time set forth for opening of bids in the invitation for bids. A bid may not be withdrawn after the time set for opening of bid except as provided in Section 4.51.

Contract Procurement Processes

Before a bid may be withdrawn, proper identification and verification of the authority of the individual requesting to withdraw the bid shall be obtained. The fact of such withdrawal shall be documented in writing by Service District.

1.8 Receiving Bids

Except as provided herein, sealed bids will be received by Service District / Constructor at the place specified in the invitation for bids until the time and date specified in the invitation for bids.

Bids must be submitted to Service District / Constructor in a manner that ensures Service District / Constructor receives a complete bid with original signature(s), including submission by U.S. mail, personal delivery, or messenger service. Bids submitted in a manner that results in Service District / Constructor receiving an incomplete bid, a bid without original signature(s), or a bid not in the approved form, including submission by telephone, facsimile machine, telegram or mailgram, will not be accepted or considered but will be rejected.

1.9 Criteria for Receiving Bids

Bids will be received only from contractors that are prequalified at the time of bid opening in accordance with the provisions of Section 2.0 below, and not currently debarred or suspended by the Service District / Constructor.

1.10 Recording of Bids

When a bid is received by Service District / Constructor, the person receiving the bid shall stamp the date received on the sealed envelope, write the time received, and initial it. That person shall then enter the contractors' names, in the order received, on a bid abstract sheet for the Local Improvements indicated on the envelope. If the bid has been delivered in person and there is no project indicated on the envelope, the persons receiving the bid shall require the person submitting the bid to write the project number on the envelope. If the bid has been received in the mail and there is no project indicated on the envelope, an attempt shall be made to contact the contractor submitting the bid in order to determine what project the bid is for. If the contractor is contacted, the project number shall be written on the envelope. If this cannot be done, an authorized agent of the Service District / Constructor shall open the sealed envelope in the presence of at least one witness, determine the project from the bid in the envelope without looking at the schedule of bid prices, reseal the envelope and write the project number on the envelope.

1.11 Opening of Bids

Bids shall be opened at the time and place specified in the invitation for bids, and the bids shall be read publicly unless all bids are to be rejected. Such opening shall be performed by an authorized agent of the Service District / Constructor in the presence of at least one witness. Contractors, their authorized agents, and other interested parties are invited to be present.

1.12 Rejection of Individual Bids

An individual bid shall be rejected and shall not be read if the bid is not accompanied by a signed affidavit relative to collusion as provided in Section 1.5 and a proposal guarantee of the character and in an amount not less than the amount indicated in the invitation for bids. Individual bids may also be rejected for any of the following reasons:

Contract Procurement Processes

- (a) If the bid is on a form other than that prescribed by Service District / Constructor, if the form is altered or any part thereof is detached, or if the form does not contain original signatures.
- (b) If there are unauthorized additions, conditional or alternate bids, or irregularities of any kind which may tend to make the bid incomplete, indefinite, or ambiguous as to its meaning.
- (c) If the contractor fails to acknowledge in the bid that it has received all revisions (if any) current on the date of opening of bids.
- (d) If the bid does not contain a (non-zero) unit price for each pay item listed except in the case of authorized alternative pay items, the mathematical products of the respective unit prices and the estimated quantities, and the total amount of the bid obtained by adding such mathematical products.
- (e) If Service District / Constructor determines that the bid is materially unbalanced.
- (f) If the contractor submitting the bid is affiliated with another contractor that has submitted a bid on the same Local Improvements.
- (g) If the contractor submitting the bid has been asked in writing to show why it should not be found in default on a Service District / Constructor contract.

Service District / Constructor reserves the right to reject any or all bids, to waive technicalities or to advertise for new bids, if in the judgment of the Service District / Constructor the best interests of the Service District / Constructor will be promoted thereby.

1.13 Consideration of Bids

After the bids are opened and read, they will be compared on the basis of the summation of the mathematical products of the estimated quantities shown in the bid schedule and the unit bid prices and any adjustments indicated by the specifications. The results of such comparisons will be made available to the public no later than date of award of the contract.

In the event of a discrepancy between unit bid price and the mathematical products of the unit bid price and the estimated quantities in the bid schedule, the unit bid price shall govern.

In the event of low tie bids, the Service District / Constructor shall have the sole authority to determine the winner.

1.14 Mistake in Bids

(a) Mistakes Discovered Before Opening

A contractor may correct any mistakes discovered before bid opening by withdrawing and correcting the bid as provided in Section 1.7.

(b) Mistakes Discovered After Opening But Before Award

When it appears to Service District / Constructor from a review of the bid that a mistake has been made, the contractor will be requested to confirm the bid. Situations in which confirmation will be requested include obvious, apparent errors on the face of the bid or a bid unreasonably lower than the other bids submitted. If the contractor alleges mistake, the bid may be corrected or withdrawn if conditions set forth in this subsection are met.

Contract Procurement Processes

If the mistake is attributable to an error in judgment, then the bid may not be corrected or withdrawn.

If the mistake is inadvertently made and not attributable to an error in judgment, then bid correction or withdrawal may be permitted at the discretion of the Service District / Constructor subject to the condition provided in this subsection, but only to the extent it is not contrary to the interest of Service District / Constructor, or to the treatment of others, or to the integrity of the competitive bidding process.

A contractor may correct inadvertent mistakes discovered after bid opening but before award, or may withdraw a bid after bid opening but before award, only as provided in the following three situations:

1) Minor Informalities

Service District / Constructor may waive minor informalities or allow the contractor to correct them depending on which is in the best interest of Service District / Constructor. Minor informalities include, but are not limited to, the failure of the contractor to:

- A. Sign all forms included in the bid proposal, except the affidavit relative to collusion, signature of which may not be waived.
- B. Acknowledge receipt of a revision to the invitation for bids, but only if:
 - (1) It is clear from the bid that the contractor received the revision and intended to be bound by its terms: or
 - (2) The revision involved had a negligible effect on price, quantity, quality, or delivery.

2) Mistakes Where Intended Correct Bid is Evident

If the mistake and the intended correct bid are clearly evident on the face of the bid, the submitted bid shall be corrected to the intended correct bid and may not be withdrawn so long as the bid both corrected and intended is the lowest received. Examples of mistakes that are evident on the face of the bid are typographical errors, errors in extending unit prices, transposition errors and arithmetical errors.

3) Mistakes Where Intended Correct Bid Is Not Evident

A contractor may be permitted to withdraw a low bid if:

- A. A mistake is clearly evident on the face of the bid, and the intended correct bid is not similarly evident: or
- B. The contractor submits proof of evidentiary value which clearly and convincingly demonstrates that a material mistake of a clerical, mathematical, or similar non-judgmental nature was inadvertent and not intentional, that it was made in good faith, and that Service District / Constructor has not relied to its detriment on the mistaken bid.

C. Mistakes Discovered After Award

Mistakes shall not be corrected after award of the contract except where Service District / Constructor makes a written determination that it would be unconscionable not to allow the mistake to be corrected.

Contract Procurement Processes

1.15 Performance Capability Statement

Prior to award of the contract, the low bidder shall submit a performance capability statement in the form prescribed for use by Service District / Constructor, which shall include identification of any partnership or joint venture for the project and certification that the low bidder's fiscal and workmanship qualifications have not significantly decreased from that reported in the prequalification application.

1.16 Determination of Nonresponsibility

Prior to award of the contract Service District / Constructor shall review the low bidder's past performance, performance capability statement, and bid to determine responsibility.

Reasons for Determination of Nonresponsibility may include but are not limited to:

- (a) The low bidder has submitted a bid on a general type of project for which the contractor did not claim a capability and establish a demonstrated performance capability at the time of prequalification;
- (b) The low bidder has failed or is failing to perform on any construction contract subsequent to the prequalification action;
- (c) The fiscal or workmanship capability of the low bidder has significantly decreased from that set forth in its prequalification application and supplements; and
- (d) The review of the bid by Service District / Constructor identifies any concern relative to the performance capability of the low bidder.

In the event that individual unit prices in a particular bid are deemed by Service District / Constructor to be mathematically unbalanced, the contractor will be allowed to furnish any records or explanations which indicate how the prices for those items were established before a determination is made by Service District / Constructor that the bid is materially unbalanced.

If in the estimation of Service District / Constructor the low bidder's submission is not responsible, the low bidder shall be afforded an opportunity to promptly supply information on the issue.

If the low bidder unreasonably fails to provide the information requested within (3) three calendar days, or if the information provided does not resolve the issue, then Service District / Constructor may issue a determination of nonresponsibility and deny award of the contract to the low bidder.

Any such determination of nonresponsibility shall, in itself, have no effect on the low bidder's eligibility to submit bids or be awarded contracts on other projects.

1.17 Award of Contract

If the contract is awarded, the award will be made within thirty calendar days, or such other time frame as established by the Service District / Constructor, after the opening of bids to the low responsible bidder. The low responsible bidder must comply with all the requirements and criteria prescribed in the invitation or bids, in the rules, and otherwise as provided by law. The low responsible bidder will be notified, by letter mailed to the address shown on its bid, that its bid has been accepted and that it has been awarded the contract.

After the time of award, all bids, bid documents and project documents shall be open to public inspection.

Contract Procurement Processes

1.18 Cancellation of Award

Service District / Constructor reserves the right to cancel or extend the award of any contract at any time before the execution of the contract by all parties without any liability against Service District / Constructor.

1.19 Return of Proposal Guarantee

As indicated in the invitation for bids, each bid must be accompanied by a proposal guarantee. All proposal guarantees consisting of bid bonds, certified checks, or cashier checks will be treated as follows:

(a) For contractors submitting the three lowest bids, the proposal guarantee will be held until the contract is awarded to the low responsible bidder, at which time the proposal guarantee will then be returned immediately to the other two contractors. The proposal guarantee will not be returned to the low responsible bidder until satisfactory contract bonds have been furnished and the contract has been executed.

(b) For all other contractor's submitting bid, the proposal guarantee will be returned promptly after the opening and verification of bids.

1.20 Requirement of Contract Bonds

At the time of the execution of the contract, the low responsible bidder shall furnish two surety bonds, consisting of a payment bond and a performance bond. Each bond shall be in the penal sum equal to the nearest integral one hundred dollars in excess of the estimated contract price. Said bonds shall be in the forms provided by Service District / Constructor.

1.21 Execution and Approval of Contract

The contract must be executed on behalf of the low responsible bidder in ink by an individual with legal authority to bind the low responsible bidder. Such an individual includes the owner of a sole proprietorship, one or more partner members of a partnership, one or more authorized members or officers of each firm representing a joint venture, the president or vice-president of a corporation, or an authorized agent of the contractor. Anyone signing as agent for the low responsible bidder must file with Service District / Constructor written evidence of such authority. The contract shall be returned, together with the contract bonds, within fifteen calendar days after the date of award unless otherwise specified by Service District / Constructor. If the contract is not executed by Service District / Constructor within sixty calendar days from date of award, the low responsible bidder shall have the right to withdraw its bid without penalty. No contract shall be considered effective until it has been fully executed by all of the parties thereto.

1.22 Failure to Execute Contract

Failure of the low responsible bidder to so execute the contract and file acceptable contract bonds within fifteen calendar days or other duration specified by Service District / Constructor after the date of award shall be just cause for the cancellation of the award and the forfeiture of the proposal guarantee which shall become the property of Service District / Constructor. Service District / Constructor may elect to waive forfeiture of the proposal guarantee only if Service District / Constructor determines that the low responsible bidder has made a good faith effort, which was an honest, nonjudgmental error, not the result of intentional conduct, gross negligence or willful neglect, and that no damages were sustained by Service District / Constructor as a result of the failure by the low responsible bidder to execute the contract and file acceptable contract bonds within the time prescribed.

Contract Procurement Processes

Award may then be made, in accordance with the provisions of Section 1.17 to the next lowest responsible bidder, or the work may be readvertised.

Section 2.0 --- Construction of Local Improvements --- Prequalification Process for Competitive Sealed Bidding Process

2.01 Purpose

The purpose of this chapter is to set forth standards and procedures to be followed by Service District / Constructor for prequalifying a contractor who wishes to submit bids for local improvement projects, for disapproving prequalifications, for revoking and summarily suspending such prequalification.

2.02 Responsibility

It shall be the responsibility of Service District / Constructor to administer the rules.

2.03 Prequalification Application

A contractor who wishes to submit a bid for a public project is required to file a prequalification application with the Service District / Constructor or designee. Any new application or renewal application must be submitted not less than ten calendar days prior to the opening of any bid or projects on which the contractor desires to submit a bid.

A joint venture may apply for prequalification in the name of the joint venture or each member may apply for prequalification separately and then submit a bid as a joint venture if all members are successful in becoming prequalified. A joint venture will be considered prequalified to the highest financial level of prequalification of any of the individual parties to the venture.

Any application for special prequalification required under an invitation for bids shall be submitted and will be considered in accordance with the terms, conditions, procedures and time frame specified in the invitation.

Service District / Constructor may charge a reasonable fee, not to exceed to cost of processing prequalifications applications, to any contractor requesting prequalification.

2.04 Application Requirements

Application questionnaires along with a copy of the rules, may be obtained from Service District / Constructor. Applicants for prequalification shall supply the following minimum information in either the prequalification questionnaire or supplements:

- (a) The name, address, phone number, and type of organization (individual, partnership, corporation, joint venture, etc.) of the contractor seeking application;
- (b) The name, address and phone number of the registered agent of a corporation;

Contract Procurement Processes

- (c) The contract size in dollars and the general type of work for which the contractor seeks prequalification (such as earthwork, structures, paving, specialty-signing, fencing, guardrail, etc.)
- (d) Experience of the contractor in past work including the number of years experience in each type of work and a listing of all relative construction contracts performed in the past three years;
- (e) Any denial of prequalification or removal of the contractor from a bidding list within the last six years, by the federal government, CDOT, any state agency or unit of local government within Colorado, or of another state, together with an explanation of the denial or removal;
- (f) Information on any contract that the contractor has failed to complete within the last six years;
- (g) The principal officers and supervisors of the contractor and their type and length of experience;
- (h) Ownership of the contractor including any affiliates and subsidiaries;
- (i) List of equipment owned by the contractor or available through lease;
- (j) A financial statement prepared in compliance with generally accepted accounting practice and standards that includes a complete report of the contractors financial resources, liabilities, equipment and personnel;
 - 1) For those contractors intending to submit bids exceeding \$1,000,000, the statement shall be audited by a licensed certified public accountant (CPA) in accordance with audit standards published by the American Institute of Certified Public Accountants, and accompanied by an affidavit of the CPA;
 - 2) For those contractors intending to submit bids between \$500,000 and \$1,000,000, the statement shall be reviewed by a licensed CPA in accordance with review standards published by the America Institute of Certified Public Accountants;
 - 3) For those contractors intending to submit bids less than \$500,000, the statement does not need to be audited or reviewed by a CPA.
- (k) A statement as to whether the contractor or any company officer or affiliate or officer thereof, has been convicted of bid related crimes or violations within the past six years in any jurisdiction, and the current status of any such company or officer; and
- (l) A statement as to whether: 1) the contractor, 2) any director, officer, partner, joint venture, stockholder of five percent or more of the contractor, or 3) any affiliate of the contractor, is in any jurisdiction under notice of intent to debar or has been debarred or is affiliated with another person who is under notice of intent to debar or has been debarred, and the current status or any such debarment.

2.05 Prequalification Procedure

The following procedure shall govern approval and disapproval of prequalification, other than instances where the contractor is subject to debarment which shall be

Contract Procurement Processes

processed in accordance with the provisions as determined by the Service District / Constructor.

- (a) The contractor shall submit the questionnaire and supporting information to Service District / Constructor. Until all inquiries of Service District / Constructor relative to the application have been answered, the prequalification application will not be considered complete.
- (b) Service District / Constructor shall give written approval or, by certified mail return receipt requested, written notice of intent to disapprove prequalification to the contractor, within seven calendar days of receipt of the completed prequalification application. In the event of notice of intent to disapprove prequalification Service District / Constructor shall give a written statement of reasons and identify to the contractor the right of appeal to Service District / Constructor.
- (c) The contractor may appeal a notice of intent to disapprove prequalification to Service District / Constructor. Any such appeal by the contractor must be written and must be received by the Service District / Constructor within sixty calendar days of the date the contractor received the notice. If no appeal is received as provided herein, the notice of intent to disapprove prequalification will become final.
- (d) If Service District / Constructor receives an appeal, the Service District / Constructor shall respond in writing within 20 calendar days stating the final decision of the Service District / Constructor related to the appeal.

2.06 Criteria for Granting Prequalification

Service District / Constructor may prequalify a contractor to bid on a particular local improvement project, or annually on local improvement projects of a particular size, a particular kind, or both, based on criteria established by the Service District / Constructor and made public in the application for prequalification.

2.07 Suspension, Revocation, and Debarment of Pre-Qualified Contractors

The Service District / Constructor, may also establish procedures to suspend, revoke, or debar the prequalification status of contractors in accordance with suspension and debarment procedures set forth in the prequalification application.

Section 3.0 – Sole Source

4.1 Sole Source Contracting:

Sole source contracting is understood to be necessary when contracting with entities such as Qwest, Xcel Energy, City of Loveland Electric, etc.

Section 4.0 – Emergency Procurement

5.1 Emergency Procurement Procedures:

It is recognized that emergency situations may require sole source contracts. The Service District / Constructor shall document the reasons whenever sole source contractors are utilized in projects related to Local Improvements.