

**EAST SMOKY HILL METROPOLITAN DISTRICT NO. 1**  
**Arapahoe County, Colorado**

**FINANCIAL STATEMENTS**  
**December 31, 2016**



**RECEIVED**

*By Justin L. Smith at 10:34 am, Mar 28, 2017*

## TABLE OF CONTENTS

|   | <b>PAGE</b> |
|---|-------------|
| <b>INDEPENDENT AUDITORS' REPORT</b> .....   | <b>1</b>    |
| <b>BASIC FINANCIAL STATEMENTS</b>   |             |
| Government-wide Financial Statements:   |             |
| Statement of Net Position.....  | 1           |
| Statement of Activities .....   | 2           |
| Fund Financial Statements:  |             |
| Balance Sheet - Governmental Funds .....  | 3           |
| Statement of Revenues, Expenditures and Changes in Fund Balances -<br>Governmental Funds.....   | 4           |
| Reconciliation of the Statement of Revenues, Expenditures and<br>Changes in Fund Balances of Governmental Funds to the<br>Statement of Activities ..... | 5           |
| General Fund - Statement of Revenues, Expenditures and Changes<br>in Fund Balances - Budget and Actual .....  | 6           |
| Notes to Financial Statements .....   | 7           |
| <b>SUPPLEMENTARY INFORMATION</b> .....  | <b>18</b>   |
| Debt Service Fund - Schedule of Revenues, Expenditures and Changes<br>in Fund Balances - Budget and Actual .....  | 19          |
| Capital Projects Fund - Schedule of Revenues, Expenditures and Changes in Fund<br>Balances - Budget and Actual .....                                    | 20          |
| Conservation Trust Fund - Schedule of Revenues, Expenditures and Changes<br>in Fund Balances - Budget and Actual .....                                  | 21          |
| Schedule of Debt Service Requirements to Maturity .....   | 22          |
| Schedule of Assessed Valuation, Mill Levy and<br>Property Taxes Collected .....   | 23          |

## **Independent Auditor's Report**

Board of Directors  
East Smoky Hill Metropolitan District No. 1  
Arapahoe County, Colorado

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental and business activities and each major fund of East Smoky Hill Metropolitan District No. 1 as of and for the year ended December 31, 2016, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the District.

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

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental and business activities and each major fund of the East Smoky Hill Metropolitan District No. 1 as of December 31, 2016, and the respective changes in financial position, cash flows and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Other Matters**

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

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's financial statements as a whole. The supplementary information as listed in the table of contents is presented for purposes of legal compliance and additional analysis and is not a required part of the financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*L. Paul Goedecke P.C.*

L. Paul Goedecke, P.C.  
February 13, 2017

## **BASIC FINANCIAL STATEMENTS**

**EAST SMOKY HILL METROPOLITAN DISTRICT NO. 1**  
**STATEMENT OF NET POSITION**  
**December 31, 2016**

|   | <u><b>Governmental<br/>Activities</b></u> |
|---|---|
| <b>ASSETS</b>                                   |   |
| Cash and investments                            | \$ 568,516                                |
| Cash and investments - Restricted               | 115,419                                   |
| Receivable from County Treasurer                | 2,586                                     |
| Property taxes receivable                       | 395,940                                   |
| Capital assets, net of accumulated depreciation | 115,418                                   |
| Total assets                                    | <u>1,197,879</u>                          |
| <b>LIABILITIES</b>                              |   |
| Accounts payable                                | 43,107                                    |
| Accrued interest payable                        | 9,179                                     |
| Noncurrent liabilities                          |   |
| Due within one year                             | 124,331                                   |
| Due in more than one year                       | 3,543,732                                 |
| Total liabilities                               | <u>3,720,349</u>                          |
| <b>DEFERRED INFLOWS OF RESOURCES</b>            |   |
| Property tax revenue                            | 395,940                                   |
| Total deferred inflows of resources             | <u>395,940</u>                            |
| <b>NET POSITION</b>                             |   |
| Net investment in capital assets                | 115,418                                   |
| Restricted for:                                 |   |
| Emergency reserves                              | 6,900                                     |
| Debt service                                    | 76,633                                    |
| Conservation Trust                              | 22,707                                    |
| Unrestricted                                    | (3,140,068)                               |
| Total net position                              | <u><u>\$ (2,918,410)</u></u>              |

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

**EAST SMOKY HILL METROPOLITAN DISTRICT NO. 1**  
**STATEMENT OF ACTIVITIES**  
**Year Ended December 31, 2016**

| <u>Functions/Programs</u>                    | <u>Expenses</u>   | <u>Program Revenues</u> |                      |                       | <u>Net (Expense)</u>  |
|--|-------------------|-------------------------|----------------------|-----------------------|-----------------------|
|  |                   | <u>Charges for</u>      | <u>Operating</u>     | <u>Capital Grants</u> | <u>Revenue and</u>    |
|  |                   | <u>Services</u>         | <u>Grants and</u>    | <u>and</u>            | <u>Changes in Net</u> |
|  |                   |                         | <u>Contributions</u> | <u>Contributions</u>  | <u>Position</u>       |
|  |                   |                         |                      |                       | <u>Governmental</u>   |
|  |                   |                         |                      |                       | <u>Activities</u>     |
| Primary government:                          |                   |                         |                      |                       |                       |
| Governmental activities:                     |                   |                         |                      |                       |                       |
| General government                           | \$ 199,731        | \$ -                    | \$ -                 | \$ 5,360              | \$ (194,371)          |
| Interest and related costs on long-term debt | 361,107           | -                       | -                    | -                     | (361,107)             |
|  | <u>\$ 560,838</u> | <u>\$ -</u>             | <u>\$ -</u>          | <u>\$ 5,360</u>       | <u>(555,478)</u>      |
| General revenues:                            |                   |                         |                      |                       |                       |
| Property taxes                               |                   |                         |                      |                       | 453,356               |
| Specific ownership taxes                     |                   |                         |                      |                       | 34,757                |
| Net investment income                        |                   |                         |                      |                       | 4,727                 |
| Total general revenues                       |                   |                         |                      |                       | <u>492,840</u>        |
| Change in net position                       |                   |                         |                      |                       | (62,638)              |
| Net position - Beginning                     |                   |                         |                      |                       | <u>(2,855,772)</u>    |
| Net position - Ending                        |                   |                         |                      |                       | <u>\$ (2,918,410)</u> |

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

**EAST SMOKY HILL METROPOLITAN DISTRICT NO. 1**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**December 31, 2016**

|   | <u>General</u>    | <u>Debt<br/>Service</u> | <u>Capital<br/>Projects</u> | <u>Conservation<br/>Trust Fund</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|---|-------------------|-------------------------|-----------------------------|------------------------------------|---|
| <b>ASSETS</b>   |                   |                         |                             |                                    |   |
| Cash and investments  | \$ 568,516        | \$ -                    | \$ -                        | \$ -                               | \$ 568,516                              |
| Cash and investments - Restricted                                     | 6,900             | 85,812                  | -                           | 22,707                             | 115,419                                 |
| Interest receivable   | 48                | -                       | -                           | -                                  | 48                                      |
| Receivable from County Treasurer                                      | 2,538             | -                       | -                           | -                                  | 2,538                                   |
| Property taxes receivable   | 153,267           | 242,673                 | -                           | -                                  | 395,940                                 |
| Total assets  | <u>\$ 731,269</u> | <u>\$ 328,485</u>       | <u>\$ -</u>                 | <u>\$ 22,707</u>                   | <u>\$ 1,082,461</u>                     |
| <b>LIABILITIES</b>  |                   |                         |                             |                                    |   |
| Accounts payable  | \$ 43,007         | \$ -                    | \$ -                        | \$ -                               | \$ 43,007                               |
| Director's fees payable   | 100               | -                       | -                           | -                                  | 100                                     |
| Total liabilities   | <u>43,107</u>     | <u>-</u>                | <u>-</u>                    | <u>-</u>                           | <u>43,107</u>                           |
| <b>INFLOWS OF RESOURCES</b>   |                   |                         |                             |                                    |   |
| Property tax revenue  | 153,267           | 242,673                 | -                           | -                                  | 395,940                                 |
| Total inflows of resources  | <u>153,267</u>    | <u>242,673</u>          | <u>-</u>                    | <u>-</u>                           | <u>395,940</u>                          |
| <b>FUND BALANCES</b>  |                   |                         |                             |                                    |   |
| Restricted for:   |                   |                         |                             |                                    |   |
| Emergencies (TABOR)   | 6,900             | -                       | -                           | -                                  | 6,900                                   |
| Series 2016 Bonds   | -                 | 85,812                  | -                           | -                                  | 85,812                                  |
| Conservation Trust  | -                 | -                       | -                           | 22,707                             | 22,707                                  |
| Assigned to:  |                   |                         |                             |                                    |   |
| Subsequent year's expenditures  | 25,578            | -                       | -                           | -                                  | 25,578                                  |
| Unassigned:   | 502,417           | -                       | -                           | -                                  | 502,417                                 |
| Total fund balances   | <u>534,895</u>    | <u>85,812</u>           | <u>-</u>                    | <u>22,707</u>                      | <u>643,414</u>                          |
| <b>TOTAL LIABILITIES, INFLOWS<br/>OF RESOURCES, AND FUND BALANCES</b> | <u>\$ 731,269</u> | <u>\$ 328,485</u>       | <u>\$ -</u>                 | <u>\$ 22,707</u>                   |   |

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

|  |                       |
|--|-----------------------|
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.                    | 115,418               |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. |                       |
| Bonds payable  | (3,420,000)           |
| Bond premium   | (248,063)             |
| Accrued interest on bonds payable  | (9,179)               |
| Net position of governmental activities  | <u>\$ (2,918,410)</u> |

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

**EAST SMOKY HILL METROPOLITAN DISTRICT NO. 1**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year Ended December 31, 2016**

|  | <u>General</u>    | <u>Debt<br/>Service</u> | <u>Capital<br/>Projects</u> | <u>Conservation<br/>Trust Fund</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--|-------------------|-------------------------|-----------------------------|------------------------------------|---|
| <b>REVENUE</b>   |                   |                         |                             |                                    |   |
| Property taxes   | \$ 191,559        | \$ 261,797              | \$ -                        | \$ -                               | \$ 453,356                              |
| Specific ownership tax                                 | 34,757            | -                       | -                           | -                                  | 34,757                                  |
| Net investment income                                  | 3,224             | 1,390                   | -                           | 113                                | 4,727                                   |
| Conservation Trust Fund proceeds                       | -                 | -                       | -                           | 5,360                              | 5,360                                   |
| Total revenue  | <u>229,540</u>    | <u>263,187</u>          | <u>-</u>                    | <u>5,473</u>                       | <u>498,200</u>                          |
| <b>EXPENDITURES</b>                                    |                   |                         |                             |                                    |   |
| Accounting   | 26,454            | -                       | -                           | -                                  | 26,454                                  |
| Audit  | 3,600             | -                       | -                           | -                                  | 3,600                                   |
| County Treasurer's fee                                 | 2,874             | 3,928                   | -                           | -                                  | 6,802                                   |
| Directors' fees  | 3,800             | -                       | -                           | -                                  | 3,800                                   |
| District communication                                 | 102               | -                       | -                           | -                                  | 102                                     |
| Dues and licenses                                      | 457               | -                       | -                           | -                                  | 457                                     |
| Electricity  | 4,533             | -                       | -                           | -                                  | 4,533                                   |
| Elections  | 18,097            | -                       | -                           | -                                  | 18,097                                  |
| Insurance and bonds                                    | 3,809             | -                       | -                           | -                                  | 3,809                                   |
| Irrigation   | 27,733            | -                       | -                           | -                                  | 27,733                                  |
| Landscaping repairs and maintenance                    | 62,296            | -                       | -                           | -                                  | 62,296                                  |
| Legal  | 28,339            | -                       | -                           | -                                  | 28,339                                  |
| Miscellaneous  | 120               | -                       | -                           | -                                  | 120                                     |
| Payroll taxes  | 283               | -                       | -                           | -                                  | 283                                     |
| SDA Conference   | 30                | -                       | -                           | -                                  | 30                                      |
| Snow removal   | 12,929            | -                       | -                           | -                                  | 12,929                                  |
| Debt service   |                   |                         |                             |                                    |   |
| Bond interest - 2006                                   | -                 | 3,610                   | -                           | -                                  | 3,610                                   |
| Bond interest - 2016                                   | -                 | 65,749                  | -                           | -                                  | 65,749                                  |
| Bond principal - 2006                                  | -                 | 95,000                  | -                           | -                                  | 95,000                                  |
| Bond principal - 2016                                  | -                 | 50,000                  | -                           | -                                  | 50,000                                  |
| Bond issue costs                                       | -                 | 159,578                 | -                           | -                                  | 159,578                                 |
| Paying agent fees                                      | -                 | 150                     | -                           | -                                  | 150                                     |
| Total expenditures                                     | <u>195,456</u>    | <u>378,015</u>          | <u>-</u>                    | <u>-</u>                           | <u>573,471</u>                          |
| <b>EXCESS OF REVENUE OVER<br/>(UNDER) EXPENDITURES</b> | <u>34,084</u>     | <u>(114,828)</u>        | <u>-</u>                    | <u>5,473</u>                       | <u>(75,271)</u>                         |
| <b>OTHER FINANCING SOURCES (USES)</b>                  |                   |                         |                             |                                    |   |
| Bond proceeds  | -                 | 3,470,000               | -                           | -                                  | 3,470,000                               |
| Bond premium   | -                 | 259,602                 | -                           | -                                  | 259,602                                 |
| Payment to refunding escrow                            | -                 | (3,728,387)             | -                           | -                                  | (3,728,387)                             |
| Total other financing sources (uses)                   | <u>-</u>          | <u>1,215</u>            | <u>-</u>                    | <u>-</u>                           | <u>1,215</u>                            |
| <b>NET CHANGE IN FUND BALANCES</b>                     | <u>34,084</u>     | <u>(113,613)</u>        | <u>-</u>                    | <u>5,473</u>                       | <u>(74,056)</u>                         |
| <b>FUND BALANCES - BEGINNING<br/>OF YEAR</b>           |                   |                         |                             |                                    |   |
|  | <u>500,811</u>    | <u>199,425</u>          | <u>-</u>                    | <u>17,234</u>                      | <u>717,470</u>                          |
| <b>FUND BALANCES - END OF YEAR</b>                     | <u>\$ 534,895</u> | <u>\$ 85,812</u>        | <u>\$ -</u>                 | <u>\$ 22,707</u>                   | <u>\$ 643,414</u>                       |

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

**EAST SMOKY HILL METROPOLITAN DISTRICT NO. 1  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL  
FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended December 31, 2016**

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

|   |             |
|---|-------------|
| Net changes in fund balances - Total governmental funds | \$ (74,056) |
|---|-------------|

Governmental funds report capital outlays as expenditures. In the statement of activities capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense the allocation of the cost of any depreciable asset over the estimated useful life of the asset. Capital outlay, the conveyance of capital assets to other governments and depreciation expense in the current period, are as follows:

|                      |         |
|----------------------|---------|
| Depreciation expense | (4,275) |
|----------------------|---------|

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The net effect of these differences in the treatment of long-term debt is as follows:

|                                     |             |
|-------------------------------------|-------------|
| Current year bond principal payment | 3,730,000   |
| Bond issuance                       | (3,470,000) |
| Bond premium                        | (259,602)   |

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

|   |               |
|---|---------------|
| Accrued interest on bonds - Change in liability | <u>15,295</u> |
|---|---------------|

|   |                           |
|---|---------------------------|
| Change in net position of governmental activities | <u><u>\$ (62,638)</u></u> |
|---|---------------------------|

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

**EAST SMOKY HILL METROPOLITAN DISTRICT NO. 1**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - BUDGET AND ACTUAL**  
**Year Ended December 31, 2016**

|  | <b>Original and<br/>Final Budget<br/>Amounts</b> | <b>Actual<br/>Amounts</b> | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|--|--|---------------------------|---|
| <b>REVENUE</b>                           |  |                           |   |
| Property taxes                           | \$ 191,572                                       | \$ 191,559                | \$ (13)   |
| Specific ownership tax                   | 36,270   | 34,757                    | (1,513)   |
| Net investment income                    | 750  | 3,224                     | 2,474   |
| Total revenue                            | <u>228,592</u>                                   | <u>229,540</u>            | <u>948</u>  |
| <b>EXPENDITURES</b>                      |  |                           |   |
| Accounting                               | 22,000   | 26,454                    | (4,454)   |
| Audit                                    | 3,600  | 3,600                     | -   |
| Conservation Trust Fund projects         | 22,266   | -                         | 22,266  |
| County Treasurer's fee                   | 2,870  | 2,874                     | (4)   |
| Directors' fees                          | 4,000  | 3,800                     | 200   |
| District communication                   | 1,000  | 102                       | 898   |
| Dues and licenses                        | 500  | 457                       | 43  |
| Electricity                              | 5,000  | 4,533                     | 467   |
| Insurance and bonds                      | 3,500  | 3,809                     | (309)   |
| Irrigation                               | 35,000   | 27,733                    | 7,267   |
| Legal                                    | 20,000   | 28,339                    | (8,339)   |
| Landscaping repairs and maintenance      | 60,000   | 62,296                    | (2,296)   |
| Elections                                | 15,000   | 18,097                    | (3,097)   |
| Payroll taxes                            | 306  | 283                       | 23  |
| SDA conference                           | 2,000  | 30                        | 1,970   |
| Snow removal                             | 10,000   | 12,929                    | (2,929)   |
| Miscellaneous                            | 500  | 120                       | 380   |
| Contingency                              | 7,458  | -                         | 7,458   |
| Total expenditures                       | <u>215,000</u>                                   | <u>195,456</u>            | <u>19,544</u>   |
| <b>EXCESS OF REVENUE OVER (UNDER)</b>    |  |                           |   |
| <b>EXPENDITURES</b>                      | <u>13,592</u>                                    | <u>34,084</u>             | <u>20,492</u>   |
| <b>OTHER FINANCING SOURCES (USES)</b>    |  |                           |   |
| Transfers from other funds               | 22,266   | -                         | (22,266)  |
| Transfers (to) other funds               | (30,000)   | -                         | 30,000  |
| Total other financing sources (uses)     | <u>(7,734)</u>                                   | <u>-</u>                  | <u>7,734</u>  |
| <b>EXCESS OF REVENUE OVER (UNDER)</b>    |  |                           |   |
| <b>EXPENDITURES AND OTHER</b>            |  |                           |   |
| <b>FINANCING SOURCES (USES)</b>          | 5,858  | 34,084                    | 28,226  |
| <b>FUND BALANCES - BEGINNING OF YEAR</b> | <u>499,492</u>                                   | <u>500,811</u>            | <u>1,319</u>  |
| <b>FUND BALANCES - END OF YEAR</b>       | <u>\$ 505,350</u>                                | <u>\$ 534,895</u>         | <u>\$ 29,545</u>  |

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

**EAST SMOKY HILL METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 1 - DEFINITION OF REPORTING ENTITY**

East Smoky Hill Metropolitan District No. 1 (District), a quasi-municipal corporation and political subdivision of the State of Colorado, was organized by order and decree of the District Court for Arapahoe County on November 22, 1994, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District's service area is located in Arapahoe County, Colorado (the County). A portion of the District's boundaries lies within the City of Centennial. The District was established to provide financing for the construction and installation of sanitary sewer, water, streets, safety protection, and park and recreation improvements. The District has dedicated these improvements to the County and to East Cherry Creek Valley Water and Sanitation District (ECCV) for the use and benefit of the District taxpayers. The District currently exists to retire its outstanding debt obligation and to assist with the maintenance of the landscaped areas within the District.

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

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The more significant accounting policies of the District are described as follows:

**Government-wide and Fund Financial Statements**

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District. The effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or

**EAST SMOKY HILL METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

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

privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are received within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes and specific ownership taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is due.

The District reports the following major governmental funds:

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

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

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

The Conservation Trust Fund (a Capital Projects Fund) is used to account for the lottery proceeds received from the State. This revenue is restricted for parks and recreational purposes under State statutes.

**Budgets**

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures and other financing uses level and lapses at year end. The District's Board of Directors can modify the budget by line item within the total

**EAST SMOKY HILL METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

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

appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

The District amended its annual budget for the year ended December 31, 2016.

**Pooled Cash and Investments**

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

Investments are carried at fair value.

**Property Taxes**

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

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

**Capital Assets**

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

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

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

**EAST SMOKY HILL METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

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

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

|         |          |
|---------|----------|
| Fencing | 30 years |
|---------|----------|

**Deferred Inflows of Resources**

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *deferred property tax revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**Equity**

***Net Position***

For government-wide presentation purposes when both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

***Fund Balance***

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned, and unassigned. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

- *Nonspendable fund balance* – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.
- *Restricted fund balance* – The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.
- *Committed fund balance* – The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.

**EAST SMOKY HILL METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

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

- *Assigned fund balance* – The portion of fund balance that is constrained by the government’s intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.
- *Unassigned fund balance* – The residual portion of fund balance that does not meet any of the criteria described above.

If more than one classification of fund balance is available for use when an expenditure is incurred, it is the District’s practice to use the most restrictive classification first.

**NOTE 3 - CASH AND INVESTMENTS**

Cash and investments as of December 31, 2016, are classified in the accompanying financial statements as follows:

Statement of net position:

|                                   |                          |
|-----------------------------------|--------------------------|
| Cash and investments              | \$ 568,516               |
| Cash and investments - Restricted | <u>115,419</u>           |
|                                   | <u><u>\$ 683,935</u></u> |

Cash and investments as of December 31, 2016, consist of the following:

|                                      |                          |
|--------------------------------------|--------------------------|
| Deposits with financial institutions | \$ 254,968               |
| Investments                          | <u>428,967</u>           |
|                                      | <u><u>\$ 683,935</u></u> |

**Deposits with Financial Institutions**

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be 102% of the aggregate uninsured deposits.

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

At December 31, 2016, the District's cash deposits had a bank balance of \$4,968 and a carrying balance of \$4,968. The District also had \$250,000 in certificates of deposits with financial institutions insured with the FDIC.

**EAST SMOKY HILL METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 3 - CASH AND INVESTMENTS (CONTINUED)**

**Investments**

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

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

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

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

- . Obligations of the United States, certain U.S. government agency securities, and securities of the World Bank
- . General obligation and revenue bonds of U.S. local government entities
- . Certain certificates of participation
- . Certain securities lending agreements
- . Bankers' acceptances of certain banks
- . Commercial paper
- . Written repurchase agreements and certain reverse repurchase agreements collateralized by certain authorized securities
- . Certain money market funds
- . Guaranteed investment contracts
- \* Local government investment pools

**Fair Value Measurement and Application**

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. Investments not measured at fair value and not categorized include governmental money market funds (PFM Funds Governmental Select series); money market funds (generally held by Bank Trust Departments in their role as paying agent or trustee); and CSAFE which record their investments at amortized cost.

**EAST SMOKY HILL METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 3 - CASH AND INVESTMENTS (CONTINUED)**

As of December 31, 2016, the District had the following investments:

| <b>Investment</b>                         | <b>Maturity</b>                | <b>Fair Value</b> |
|---|--------------------------------|-------------------|
| Colorado Surplus Asset Fund Trust (CSAFE) | Weighted average under 60 days | <u>\$ 428,967</u> |

**CSAFE**

The District invested in the Colorado Surplus Asset Fund Trust (CSAFE) (the Trust), which is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust is similar to a money market fund, with each share valued at \$1.00. CSAFE may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain money market funds and highest rated commercial paper. A designated custodial bank serves as custodian for CSAFE's portfolio pursuant to a custodian agreement. The custodian acts as safekeeping agent for CSAFE's investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by CSAFE. CSAFE is rated AAAM by Standard & Poor's.

**NOTE 4 - CAPITAL ASSETS**

An analysis of the changes in capital assets for the year ended December 31, 2016, follows:

|  | <u>Balance at<br/>December 31,<br/>2015</u> | <u>Additions</u>  | <u>Transfers<br/>and<br/>Retirements</u> | <u>Balance at<br/>December 31,<br/>2016</u> |
|--|---|-------------------|--|---|
| Capital assets, being depreciated            |   |                   |  |   |
| Fencing                                      | \$ 123,968                                  | -                 | -  | \$ 123,968                                  |
| Total capital assets, being depreciated      | 123,968                                     | -                 | -  | 123,968                                     |
| Less accumulated depreciation for:           |   |                   |  |   |
| Fencing                                      | (4,275)                                     | (4,275)           | -  | (8,550)                                     |
| Total accumulated depreciation               | (4,275)                                     | (4,275)           | -  | (8,550)                                     |
| Total capital assets, being depreciated, net | 119,693                                     | (4,275)           | -  | 115,418                                     |
| Governmental activities -                    |   |                   |  |   |
| Capital assets, net                          | <u>\$ 119,693</u>                           | <u>\$ (4,275)</u> | <u>\$ -</u>                              | <u>\$ 115,418</u>                           |

Depreciation expense for 2016 was \$4,275.

**EAST SMOKY HILL METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 5 - LONG-TERM OBLIGATIONS**

The following is an analysis of the changes in long-term obligations for the year ended December 31, 2016:

|                          | <b>Balance at<br/>December 31,<br/>2015</b> | <b>Additions</b>    | <b>Retirements</b>  | <b>Balance at<br/>December 31,<br/>2016</b> | <b>Due<br/>Within<br/>One Year</b> |
|--------------------------|---|---------------------|---------------------|---|------------------------------------|
| General Obligation Bonds |   |                     |                     |   |                                    |
| Series 2006              | \$ 3,680,000                                | \$ -                | \$ 3,680,000        | \$ -  | \$ -                               |
| Series 2016              | -   | 3,470,000           | 50,000              | 3,420,000                                   | 105,000                            |
|                          | <u>3,680,000</u>                            | <u>3,470,000</u>    | <u>3,730,000</u>    | <u>3,420,000</u>                            | <u>105,000</u>                     |
| Bond premium             | -   | 259,602             | 11,539              | 248,063                                     | 19,331                             |
|                          | <u>\$ 3,680,000</u>                         | <u>\$ 3,729,602</u> | <u>\$ 3,741,539</u> | <u>\$ 3,668,063</u>                         | <u>\$ 124,331</u>                  |

On April 29, 2016, the District issued \$3,470,000 of General Obligation Refunding Bonds (2016 Bonds). The 2016 Bonds bear interest of between 2.00% and 4.00% per annum payable on June 1 and December 1, commencing on December 1, 2016. Mandatory principal payments are due on December 1, commencing on December 1, 2016, with final payment due on December 1, 2036. The 2016 Bonds cannot be prepaid prior to December 1, 2026.

The proceeds of the 2016 Bonds and other District funds were used to advance refund and defease (debt legally satisfied) a portion of its General Obligation Refunding Bonds, Series 2006 (Series 2006 Bonds). The Series 2006 Bonds are not considered a liability of the District since sufficient funds in the amount of \$3,728,387 were deposited with a trustee and invested in U.S. government securities for the purpose of paying the principal and interest of the Series 2006 Bonds until the call date, at which point the Series 2006 bonds were repaid in their entirety from the remaining funds in the escrow account. The Series 2006 Bonds were redeemed on December 1, 2016.

The Series 2006 Bonds had an average yield of 4.305%, and the 2016 Bonds have an average yield of 2.452%.

The Series 2016 Bonds are general obligations of the District, secured by a pledge of the full faith and credit of the District and payable from general ad valorem taxes which may be levied without limitation of rate and in an amount necessary to pay the bonds when due against all taxable property within the District.

**EAST SMOKY HILL METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)**

The District's long-term bonded general obligation debt matures as follows:

|           | <u>Principal</u>    | <u>Interest</u>     | <u>Total</u>        |
|-----------|---------------------|---------------------|---------------------|
| 2017      | \$ 105,000          | \$ 110,150          | \$ 215,150          |
| 2018      | 115,000             | 107,000             | 222,000             |
| 2019      | 120,000             | 103,550             | 223,550             |
| 2020      | 130,000             | 99,950              | 229,950             |
| 2021      | 130,000             | 97,350              | 227,350             |
| 2022-2026 | 745,000             | 436,300             | 1,181,300           |
| 2027-2031 | 920,000             | 316,200             | 1,236,200           |
| 2032-2036 | 1,155,000           | 143,000             | 1,298,000           |
|           | <u>\$ 3,420,000</u> | <u>\$ 1,413,500</u> | <u>\$ 4,833,500</u> |

**Authorized Debt**

On November 8, 1994, the District's electors authorized the incurrence of general obligation debt totaling \$12,000,000 in principal at a rate not to exceed 18%. At December 31, 2016, the District has authorized but unissued indebtedness for the following purposes:

|                      | <b>Authorized</b>                    | <b>Authorization Used</b> |                     |                     |                    | <b>Remaining at</b>          |
|----------------------|--------------------------------------|---------------------------|---------------------|---------------------|--------------------|------------------------------|
|                      | <b>November 8,<br/>1994 Election</b> | <b>Series 1996</b>        | <b>Series 2001A</b> | <b>Series 2001B</b> | <b>Series 2006</b> | <b>December 31,<br/>2016</b> |
| Sanitary sewer       | \$ 1,920,000                         | \$ 36,400                 | \$ 9,810            | \$ 1,415,945        | \$ 236,637         | \$ 221,208                   |
| Water supply         | 1,680,000                            | -                         | -                   | 804,048             | 134,375            | 741,577                      |
| Street improvements  | 7,320,000                            | 151,600                   | 123,120             | 1,430,007           | 367,231            | 5,248,042                    |
| Traffic and safety   | 120,000                              | -                         | -                   | -                   | -                  | 120,000                      |
| Parks and recreation | 960,000                              | -                         | -                   | -                   | -                  | 960,000                      |
|                      | <u>\$ 12,000,000</u>                 | <u>\$ 188,000</u>         | <u>\$ 132,930</u>   | <u>\$ 3,650,000</u> | <u>\$ 738,243</u>  | <u>\$ 7,290,827</u>          |

The issuance of the Series 2016 Bonds refunded the Series 2006 Bonds and did not use any debt authorization.

**NOTE 6 - NET POSITION**

The District has net position consisting of three components – net investment in capital assets, restricted, and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvements of those assets. As of December 31, 2016, the District has net investment capital assets of \$115,418.

**EAST SMOKY HILL METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 6 - NET POSITION (CONTINUED)**

The restricted component of net position includes assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other government or imposed by law through constitutional provisions or enabling legislation. The District had restricted net position as of December 31, 2016, as follows:

|                               |                   |
|-------------------------------|-------------------|
| Restricted net position:      |                   |
| Emergency reserves            | \$ 6,900          |
| Debt service                  | 76,633            |
| Conservation Trust            | <u>22,707</u>     |
| Total restricted net position | <u>\$ 106,240</u> |

The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the restricted component of net position.

The District has a deficit in unrestricted net position. This deficit amount is the result of the District being responsible for the repayment of bonds issued for public improvements which were conveyed to other governmental entities and which costs were removed from the District's financial records.

**NOTE 7 - AGREEMENTS**

**Real Estate Lease**

The District desires to improve the common fences within the District, which are currently owned by the Stanford Hills and Highland Pointe homeowners associations within the District. During 2009, the District entered into 99-year real estate leases with the homeowners associations for the property upon which the fences are located at a rent of \$10 per year for each of the leases. The District entered into a new lease agreement with the Stanford Hills Master and Paired HOAs for a 99-year term effective March 16, 2013, and cancelled the prior lease. The new leases eliminate the unilateral provision for the homeowners associations to cancel the leases. The District anticipates the purchase of the property from the homeowners associations in the future.

**Maintenance Improvements**

During 2009, the District entered into maintenance improvements agreements with the homeowners associations within the District whereby, beginning in 2010, the District will reimburse each association an annual amount for common property maintenance, to be paid in quarterly installments. The total amount of annual contractual reimbursements paid by the District is currently capped at \$103,551, with the ability to increase the amount upon consent by the District's Board of Directors. The actual amount paid in 2016 was \$107,492.

**EAST SMOKY HILL METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 8 - RISK MANAGEMENT**

Except as provided in the Colorado Governmental Immunity Act, the District may be exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God.

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

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

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

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue and debt limitations which apply to the State of Colorado and all local governments.

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

On November 8, 1994, a majority of the District's electors authorized an annual \$300,000 increase in property tax collections for operations and maintenance and the collection annually of \$200,000 of systems development fees without regard to TABOR or other State statutes. The District believes it has taken such steps as are appropriate in light of current interpretations of TABOR to comply with its terms. However, TABOR is complex and subject to multiple interpretations. Many of the provisions, including but not limited to the interpretation of how to calculate Fiscal Year Spending and other limits, will require judicial interpretation.

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

**SUPPLEMENTARY INFORMATION**

**EAST SMOKY HILL METROPOLITAN DISTRICT NO. 1**  
**DEBT SERVICE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - BUDGET AND ACTUAL**  
**Year Ended December 31, 2016**

|   | <b>Budgets</b>    |                  | <b>Actual<br/>Amounts</b> | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|---|-------------------|------------------|---------------------------|---|
|   | <b>Original</b>   | <b>Final</b>     |                           |   |
| <b>REVENUE</b>  |                   |                  |                           |   |
| Property taxes  | \$ 261,815        | \$ 261,815       | \$ 261,797                | \$ (18)   |
| Net investment income   | 300               | 1,300            | 1,390                     | 90  |
| Total revenue   | <u>262,115</u>    | <u>263,115</u>   | <u>263,187</u>            | <u>72</u>   |
| <b>EXPENDITURES</b>   |                   |                  |                           |   |
| County Treasurer's fee  | -                 | 3,930            | 3,928                     | 2   |
| Bond interest - 2016  | -                 | 65,749           | 65,749                    | -   |
| Bond interest - 2006  | 155,223           | 3,610            | 3,610                     | -   |
| Bond principal - 2016   | -                 | 50,000           | 50,000                    | -   |
| Bond principal - 2006   | 95,000            | 95,000           | 95,000                    | -   |
| Bond issue costs  | -                 | 159,578          | 159,578                   | -   |
| Paying agent fees   | 150               | 150              | 150                       | -   |
| Contingency   | 2,627             | 3,596            | -                         | 3,596   |
| Total expenditures  | <u>253,000</u>    | <u>381,613</u>   | <u>378,015</u>            | <u>3,598</u>  |
| <b>EXCESS OF REVENUE OVER (UNDER)<br/>EXPENDITURES</b>  | 9,115             | (118,498)        | (114,828)                 | 3,670   |
| <b>OTHER FINANCING SOURCES (USES)</b>   |                   |                  |                           |   |
| Bond proceeds   | -                 | 3,470,000        | 3,470,000                 | -   |
| Bond premium  | -                 | 259,602          | 259,602                   | -   |
| Payment to refunding escrow   | -                 | (3,728,387)      | (3,728,387)               | -   |
| Total other financing sources (uses)  | <u>-</u>          | <u>1,215</u>     | <u>1,215</u>              | <u>-</u>  |
| <b>EXCESS OF REVENUE OVER (UNDER)<br/>EXPENDITURES AND OTHER<br/>FINANCING SOURCES (USES)</b> | 9,115             | (117,283)        | (113,613)                 | 3,670   |
| <b>FUND BALANCES - BEGINNING OF YEAR</b>  | <u>199,203</u>    | <u>199,425</u>   | <u>199,425</u>            | <u>-</u>  |
| <b>FUND BALANCES - END OF YEAR</b>  | <u>\$ 208,318</u> | <u>\$ 82,142</u> | <u>\$ 85,812</u>          | <u>\$ 3,670</u>   |

**EAST SMOKY HILL METROPOLITAN DISTRICT NO. 1  
CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
Year Ended December 31, 2016**

|  | <u>Original and<br/>Final Budget<br/>Amounts</u> | <u>Actual<br/>Amounts</u> | <u>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</u> |
|--|--|---------------------------|---|
| <b>REVENUE</b>   |  |                           |   |
| Net investment income                                  | \$ -   | \$ -                      | \$ -  |
| Total revenue  | <u>-</u>   | <u>-</u>                  | <u>-</u>  |
| <b>EXPENDITURES</b>                                    |  |                           |   |
| Sidewalk   | 30,000   | -                         | 30,000  |
| Total expenditures                                     | <u>30,000</u>                                    | <u>-</u>                  | <u>30,000</u>   |
| <b>EXCESS OF REVENUE OVER (UNDER)<br/>EXPENDITURES</b> |  |                           |   |
|  | <u>(30,000)</u>                                  | <u>-</u>                  | <u>30,000</u>   |
| <b>OTHER FINANCING SOURCES (USES)</b>                  |  |                           |   |
| Transfers from other funds                             | 30,000   | -                         | (30,000)  |
| Total other financing sources (uses)                   | <u>30,000</u>                                    | <u>-</u>                  | <u>(30,000)</u>   |
| <b>FUND BALANCES - BEGINNING<br/>OF YEAR</b>           |  |                           |   |
|  | <u>-</u>   | <u>-</u>                  | <u>-</u>  |
| <b>FUND BALANCES - END OF YEAR</b>                     |  |                           |   |
|  | <u>\$ -</u>                                      | <u>\$ -</u>               | <u>\$ -</u>   |

**EAST SMOKY HILL METROPOLITAN DISTRICT NO. 1  
 CONSERVATION TRUST FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - BUDGET AND ACTUAL  
 Year Ended December 31, 2016**

|   | <u>Original and<br/>Final Budget<br/>Amounts</u> | <u>Actual<br/>Amounts</u> | <u>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</u> |
|---|--|---------------------------|---|
| <b>REVENUE</b>  |  |                           |   |
| Conservation Trust Fund proceeds  | \$ 4,800   | \$ 5,360                  | \$ 560  |
| Net investment income   | 10   | 113                       | 103   |
| Total revenue   | <u>4,810</u>                                     | <u>5,473</u>              | <u>663</u>  |
| <b>EXPENDITURES</b>   | <u>-</u>   | <u>-</u>                  | <u>-</u>  |
| <b>EXCESS OF REVENUE OVER (UNDER)<br/>EXPENDITURES</b>  | <u>4,810</u>                                     | <u>5,473</u>              | <u>663</u>  |
| <b>OTHER FINANCING SOURCES (USES)</b>   |  |                           |   |
| Transfers from (to) other funds   | <u>(22,266)</u>                                  | <u>-</u>                  | <u>22,266</u>   |
| Total other financing sources (uses)  | <u>(22,266)</u>                                  | <u>-</u>                  | <u>22,266</u>   |
| <b>EXCESS OF REVENUE OVER (UNDER)<br/>EXPENDITURES AND OTHER<br/>FINANCING SOURCES (USES)</b> | (17,456)   | 5,473                     | 22,929  |
| <b>FUND BALANCES - BEGINNING OF YEAR</b>  | <u>17,456</u>                                    | <u>17,234</u>             | <u>(222)</u>  |
| <b>FUND BALANCES - END OF YEAR</b>  | <u>\$ -</u>                                      | <u>\$ 22,707</u>          | <u>\$ 22,707</u>  |

**EAST SMOKY HILL METROPOLITAN DISTRICT NO. 1  
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY  
December 31, 2016**

**\$3,470,000  
General Obligation Refunding Bonds  
Series 2016  
Dated April 29, 2016  
Interest Rate from 2.00% to 4.00%  
Payable June 1 and December 1  
Principal Due December 1**

| <b><u>Year Ending<br/>December 31</u></b> | <b><u>Principal</u></b>    | <b><u>Interest</u></b>     | <b><u>Total<br/>Payment</u></b> |
|---|----------------------------|----------------------------|---------------------------------|
| 2017                                      | \$ 105,000                 | \$ 110,150                 | \$ 215,150                      |
| 2018                                      | 115,000                    | 107,000                    | 222,000                         |
| 2019                                      | 120,000                    | 103,550                    | 223,550                         |
| 2020                                      | 130,000                    | 99,950                     | 229,950                         |
| 2021                                      | 130,000                    | 97,350                     | 227,350                         |
| 2022                                      | 140,000                    | 94,750                     | 234,750                         |
| 2023                                      | 140,000                    | 91,950                     | 231,950                         |
| 2024                                      | 150,000                    | 87,750                     | 237,750                         |
| 2025                                      | 155,000                    | 83,250                     | 238,250                         |
| 2026                                      | 160,000                    | 78,600                     | 238,600                         |
| 2027                                      | 170,000                    | 73,800                     | 243,800                         |
| 2028                                      | 175,000                    | 68,700                     | 243,700                         |
| 2029                                      | 180,000                    | 63,450                     | 243,450                         |
| 2030                                      | 195,000                    | 58,050                     | 253,050                         |
| 2031                                      | 200,000                    | 52,200                     | 252,200                         |
| 2032                                      | 210,000                    | 46,200                     | 256,200                         |
| 2033                                      | 220,000                    | 37,800                     | 257,800                         |
| 2034                                      | 230,000                    | 29,000                     | 259,000                         |
| 2035                                      | 240,000                    | 19,800                     | 259,800                         |
| 2036                                      | 255,000                    | 10,200                     | 265,200                         |
|   | <b><u>\$ 3,420,000</u></b> | <b><u>\$ 1,413,500</u></b> | <b><u>\$ 4,833,500</u></b>      |

**EAST SMOKY HILL METROPOLITAN DISTRICT NO. 1  
SCHEDULE OF ASSESSED VALUATION, MILL LEVY  
AND PROPERTY TAXES COLLECTED  
December 31, 2016**

| <u>Year Ended<br/>December 31,</u>                   | <u>Prior Year<br/>Assessed<br/>Valuation for<br/>Current Year<br/>Property<br/>Tax Levy</u> | <u>Mills Levied</u>           |                         | <u>Total Property Taxes</u> |                  | <u>Percentage<br/>Collected<br/>to Levied</u> |
|--|---|-------------------------------|-------------------------|-----------------------------|------------------|---|
|  |   | <u>General<br/>Operations</u> | <u>Debt<br/>Service</u> | <u>Levied</u>               | <u>Collected</u> |   |
| 2012   | \$ 9,698,760  | 18.500                        | 28.500                  | \$ 455,842                  | \$ 455,779       | 99.99%  |
| 2013   | \$ 9,938,310  | 25.000                        | 27.000                  | \$ 516,700                  | \$ 516,792       | 100.02%                                       |
| 2014   | \$ 9,561,830  | 25.000                        | 27.000                  | \$ 497,215                  | \$ 497,304       | 100.02%                                       |
| 2015   | \$ 9,563,001  | 20.000                        | 27.000                  | \$ 449,461                  | \$ 449,461       | 100.00%                                       |
| 2016   | \$ 12,771,442   | 15.000                        | 20.500                  | \$ 453,387                  | \$ 453,356       | 99.99%  |
| Estimated for<br>year ending<br>December 31,<br>2017 | \$ 12,772,271   | 12.000                        | 19.0000                 | \$ 395,940                  |                  |   |

**Note:**

Property taxes collected in any one year include collection of delinquent property taxes levied in prior years.